

Wintrust Financial Corp.

Full Rating Report

Ratings

Wintrust Financial Corporation

Long-Term IDR	BBB
Short-Term IDR	F2
Viability	bbb
Support	5

Subsidiary Banks

Long-Term IDR	BBB
Short-Term IDR	F2
Individual	bbb
Support	5

Rating Outlook

Long-Term IDR	Stable
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Financial Data

Wintrust Financial Corp.

	3/31/16	12/31/15
Total Assets (\$m)	23,488	22,917
Equity (\$m)	2,418	2,352
Net Income (\$m)	49	157
ROAA (%)	0.86	0.75
Loan to Dep. (%)	92.46	93.87
NPAs/Lns+OREO (%)	0.87	0.93
TCE/TA (%)	7.2	7.2

Related Research

[U.S. Banking Quarterly Report: 1Q16 \(May 2016\)](#)

[U.S. Midtier Regional Bank Periodic Review — Outsized Growth Points to Potential Risks for Group \(February 2016\)](#)

[2016 Outlook: U.S. Banks — As the Credit and Rate Environment Turns \(December 2015\)](#)

[U.S. Banks: Interest Rate Risks — Lower for Longer \(October 2015\)](#)

[U.S. Banks: The Risks with Energy Slide \(January 2015\)](#)

[Wintrust Financial Corporation - Ratings Navigator \(March 2016\)](#)

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Key Rating Drivers

Recent Rating Action: Wintrust Financial Corp.'s (WTFC) ratings reflect its consistent earnings performance, conservative risk culture and strategic execution. The Stable Outlook reflects Fitch's expectation that asset growth will continue to be supported by capital retention, and asset quality will remain strong relative to peers.

Strong Asset Quality: Fitch believes that WTFC's relatively strong asset quality reflects management's conservative credit risk management philosophy. Nonperforming assets (NPAs) as a percentage of loans and real estate owned (REO) have continued to improve, dropping from 1.29% at 4Q14 to 0.87% at 1Q16. This level compares favorably to similarly rated peers. Fitch notes that the decrease was accomplished with relatively little credit loss — just 5 bps in 1Q16 compared to peer averages of 23 bps.

Unique Premium Finance Franchise: Fitch views the company's premium finance loan book as a ratings strength given the balance sheet diversity it provides, the low credit losses generated out of it, and WTFC's leading franchise within the space. The premium finance book accounts for nearly one-third of WTFC's loan portfolio, providing the company exposure to an asset class that historically has generated very low levels of credit losses.

Geographic Concentration a Constraint: The vast majority of WTFC's core loan book (excluding premium finance loans) is located in the state of Illinois with much of it concentrated within the greater Chicagoland area. Fitch generally views the Chicago market as densely populated by banks contributing to heightened competition. WTFC's current rating and Outlook reflect Fitch's belief that the company will remain concentrated in and around the Chicagoland area.

Earnings Continue to Lag Peers: The company's 1Q16 return on average assets (ROA) of 85 bps lags the peer average. However, Fitch views WTFC's performance as appropriate in the context of its lower risk profile. Fitch believes that earnings will continue to lag peers due to the company's higher cost structure as well as expected higher deposit costs.

Capital Levels Sufficient: Capital is considered adequate relative to WTFC's peers and overall risk profile. WTFC's ratings reflect its ability to maintain an adequate capital base through the financial crisis and the proven ability to raise capital in the private and public markets.

Rating Sensitivities

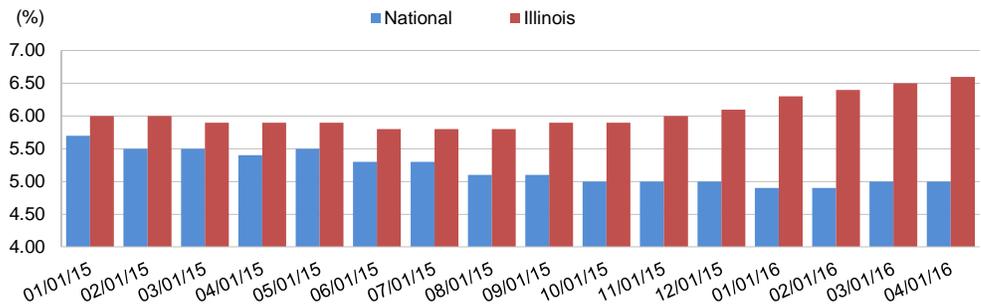
Earnings Improvement May Lift Ratings: Fitch views WTFC's ratings as solidly placed at 'BBB'. However, if earnings performance were to improve more in line with higher rated peers while management maintained its solid, conservative risk management practices, Fitch could take positive rating action. This would also depend on WTFC maintaining relatively strong asset quality over time.

Premium Finance AQ and Capital: Although currently viewed as unlikely, negative trends in earnings or a reversal in current asset quality trends (particularly in the premium finance book), leading to earnings and capital deterioration, could prompt negative rating action. Furthermore, if growth (either through acquisition or organic) were to exceed Fitch's expectations and capital levels fell materially below their current levels, the rating or Outlook could be adversely affected.

Operating Environment

WTFC operates in a strong operating environment, comprising a strong sovereign rating, stable economy, developed and transparent regulatory framework and robust financial markets. WTFC has significant exposure to the economic activity in and around the city of Chicago. Fitch views WTFC's exposure to Chicago's economic environment as a rating constraint over the near- to medium-term. Three-fourths of WTFC's core loan book (excluding FIFC loans) is located in the state of Illinois, with the vast majority concentrated in the greater Chicagoland area. Fitch views the Chicago market as densely populated by banks and economically challenged, as evidenced by the unemployment rates below, which has resulted in and could result in prolonged periods of tepid earnings and elevated NPAs relative to historical levels.

National and Illinois Unemployment Rate Gap Widening



Source: Federal Reserve Bank of St. Louis

Fitch notes that the increase in Illinois unemployment rate was due to a combination of lagging job growth within the state and more workers entering the labor force who are unable to find work immediately. Nonetheless, Illinois' unemployment rate continues to remain well above the national average.

Fitch recognizes that WTFC has attempted to diversify its reliance on Chicago through acquisitions of a few community banks in southeastern Wisconsin and the continued buildout of its mortgage banking operation. Still, the company's ratings incorporate Fitch's view that the company will remain concentrated in and around the Chicagoland area.

Company Profile

Community Bank Focused, But Ancillary Businesses Provide Stability and Diversity

WTFC is an Illinois-based financial services holding company, with assets of \$23.5bn at 1Q16.

Publicly traded since 1996, the company conducts business through its three primary channels: community banking, specialty finance and wealth management. Revenue diversity is average relative to peers and similarly rated banks.

The company's revenue split is roughly 70%/30% net interest income and non-interest income. Fitch expects non-interest income to become a slightly larger piece of revenue generation going forward given the investments management has made in the mortgage business and wealth management.

Community Banking

Through its 15 separately chartered banks, WTFC offers traditional banking services for consumers and businesses. The company began with one charter and one office in 1991. After opening three additional de novo charters in high net worth areas around Chicago, the company went public in 1996 to raise additional capital for growth purposes. WTFC has since

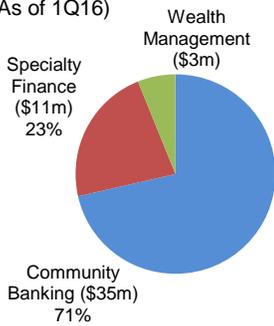
Related Criteria

Global Non-Bank Financial Institutions Rating Criteria (July 2016)

Global Bank Rating Criteria (July 2016)

Earnings Mix

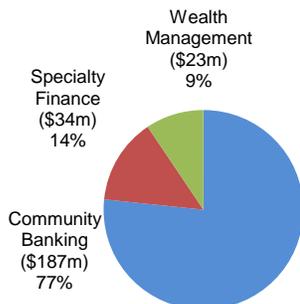
(As of 1Q16)



Source: WTFC 10K

Net Revenue Mix

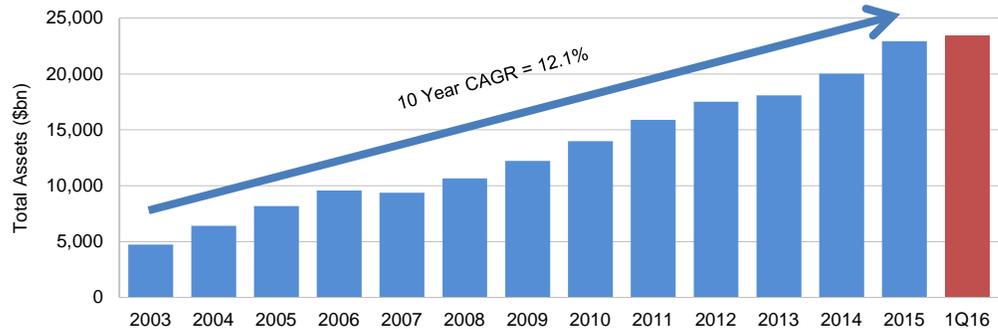
(As of 1Q16)



Source: WTFC 10K

grown to over 150 locations in and around Chicago and southeastern Wisconsin through additional de novo charters and various acquisitions. The growth, both organic and acquisitioned, has resulted in WTFC having the fifth largest deposit share in the Chicago MSA. For financial information on WTFC’s 15 separate charters, see Appendix 1.

Steady Growth Over the Years



Source: FIS, Regulatory Filings

Since 2003, the company has also grown via acquisitions, purchasing over 20 banks, with a split between whole bank purchases and FDIC-assisted deals. FDIC-related deals have totaled \$936m in loans (fair value) and \$2.3bn in deposits. The deals resulted in almost \$80m in bargain purchase gains, which have positively affected the company’s bottom line up front but partially offset by future collection costs relating to problem loans. For more information on the various acquisitions WTFC has completed over the years, see Appendix 2.

Illinois Market Share by BHC

(As of June 30, 2015)

Rank	BHC	HQ State	Branches	Deposits (\$000)	Market Share (%)
1	JPM	NY	377	86,998,856	18.69
2	BMO	Canada	205	47,584,188	10.22
3	BAC	NC	171	42,009,011	9.03
4	NTRS	IL	11	31,891,235	6.85
5	WTFC	IL	122	16,086,377	3.46
6	PNC	PA	198	14,547,545	3.13
7	FITB	OH	164	14,419,036	3.10
8	USB	MN	237	13,283,441	2.85

Source: FDIC.

Fitch views WTFC’s ability to do these acquisitions as a positive, as it has strengthened its community bank franchise in targeted markets. It also points toward the relative low risk appetite, as WTFC was well positioned during and after the financial crisis due to its decision to pull back in lending when management started to observe terms and pricing become irrational.

WTFC also originates or purchases residential mortgages via Wintrust Mortgage, a division within WTFC’s community bank segment. During 2015, the company originated or purchased \$3.9bn of residential mortgages throughout the country. Approximately 61% of originations were associated with new home purchases while 39% were related to refinancing of mortgages.

Finally, WTFC offers various niche lending products through its various community bank charters, such as homeowner or condo association lending, mortgage warehouse lending and franchise lending, among others. WTFC recently announced that the company’s franchise finance arm of its subsidiary Lake Forest Bank and Trust Company has agreed to acquire roughly \$581 million franchise lending related loans. Consistent with the discipline and

conservative risk culture at WTFC, the company only agreed to acquire performing loans. The deal is expected to close around the third quarter of 2016 and will bring WTFC's franchise portfolio to over \$850 million, which accounts to nearly 5% of total loans. Given the historically low loss content of WTFC's current franchise finance book, Fitch does not expect any material asset quality deterioration within the book.

Specialty Finance

WTFC is also well known throughout the country in the premium finance business. In 1996, in conjunction with going public, WTFC merged with First Insurance Funding Corp (FIFC), a premium finance lending company with a national network of independent brokers and agents. Between the two products, WTFC is one of the largest premium finance lenders in the country.

FIFC primarily extends P&C insurance premium financing as well as life insurance premium financing.

P&C related loans are primarily to small and midsized companies for the purposes of paying the up-front premium on P&C policies. These are typically nine- to 10-month installment loans where the borrower puts 20% down (over two months' worth of payments). Collateral on P&C loans is the unearned insurance premium from the insurance carrier, so that FIFC is well-collateralized throughout the life of the loan.

Loans related to life insurance policies are typically extended to high net worth clients around the country for estate planning purposes. These loans are typically five-year loans that are secured by the cash-surrender value of the related policy as well as cash and/or marketable securities margined at 50%.

Fitch views WTFC's premium finance lending as a unique business line relative to peer banks. Fitch believes the business provides WTFC with an extra layer of credit diversification, a strong revenue generator and relatively low usage of capital over time. Given how both types of premium finance loans are structured, Fitch would expect credit losses in this segment to remain relatively well contained outside of any fraud similar to that in 2010 and 2000. Therefore, if losses or problem assets in this segment were to trend upward due to relaxed underwriting or lack of adequate internal controls, Fitch could take negative rating action.

As part of a diversification play and margin growth strategy, the company expanded its leasing division in 2015 with the addition of Texas based Wintrust Commercial Finance, an equipment-focused financing group. The group offers loan and lease products to commercial companies throughout the U.S. and Canada and focuses on industries that include transportation, construction, manufacturing, technology, energy and aviation.

WTFC's leasing business has grown at a measured pace in both outstandings and revenue generated as seen below. Capital leases grew by \$77 million, or 45%, from 1Q15 to 1Q16 and now represent 5% of the bank's commercial loan book. WTFC's lease financing operation accounted for nearly 9% of the revenues generated from its specialty finance line of business at 1Q16 Fitch expects the proportion lease-related revenues and loans to continue to grow as the company continues to steadily build out its leasing franchise.

Wintrust Leasing Operations

	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
Operating Leases Revenue (\$000)	67	65	77	613	1,973	2,806
% of Total Non-interest income	0.1	0.1	0.1	0.9	3.0	4.1
Capital Leases (\$m)	160	172	188	206	226	249
% of Total Commercial Loans	4.1	4.1	4.3	4.7	4.8	5.1

Source: Company filings.

Fitch recognizes and positively views WTFC's effort in diversifying the company's revenue base. Fitch expects the company to operate the leasing business with the same strong underwriting discipline and conservative credit risk management philosophy that WTFC has historically operated with. Although currently viewed as unlikely, outsized losses within the leasing portfolio or evidence of loosening underwriting standards may lead to negative ratings pressure.

Wealth Management

WTFC offers a full range of wealth management services through three separate subsidiaries. Great Lakes Advisors offers money management and advisory services to individuals and institutional investors and had around \$21.2bn of assets under administration at YE15. The Chicago Trust Company offers trust and investment management services to high net worth individuals. Finally, Wayne Hummer Investments is WTFC's registered broker/dealer. For 1Q16, wealth management generated \$23.2m of net revenues, or 9% of total net revenues, up from \$22.9m in 1Q15.

Management

Stable, Long-Tenured Team with Consistent, Clear Strategy

Management quality is considered good given WTFC's size and complexity. Senior management is long-tenured, and all basically came from community banking backgrounds, which has molded WTFC's community-bank-centric business model and risk appetite. Fitch views the stability of senior management positively especially when considering how long the team has been together and through so many business cycles. This has instilled a culture of consistency and openness throughout the organization. Strategic objectives are well-communicated. Management has been very forthright in its strategy to acquire community banks in and around Chicago as well as southeastern Wisconsin. These banks typically range from \$100m to \$500m in assets. Management has also communicated its desire to grow its mortgage business by acquiring smaller mortgage production businesses that might struggle with the ever-changing compliance and regulatory environment. Fitch generally believes that these acquisitions may be added onto WTFC's existing mortgage platforms without presenting much complexity and could result in greater efficiencies while producing incrementally larger volume.

Finally, management has consistently communicated its desire to keep the balance sheet away from significant credit risk. Fitch has noted that, leading up to the 2008-2010 financial crisis, on multiple earnings calls, management indicated that it would be pulling back in various asset classes due to underwriting red flags it was seeing in the market. Fitch observes that actual results show how this strategy unfolded, with the assets actually shrinking in 2007 and nominally growing in 2008. Fitch believes that management has maintained this strategy and has communicated as such to loan officers and other stakeholders.

Risk Appetite

Conservative Risk Appetite and Underwriting Is a Ratings Strength

Fitch views WTFC's risk management practices and risk appetite as a rating strength and could lead to positive rating momentum in the future should earnings converge with higher rated peers while maintaining a low risk profile.

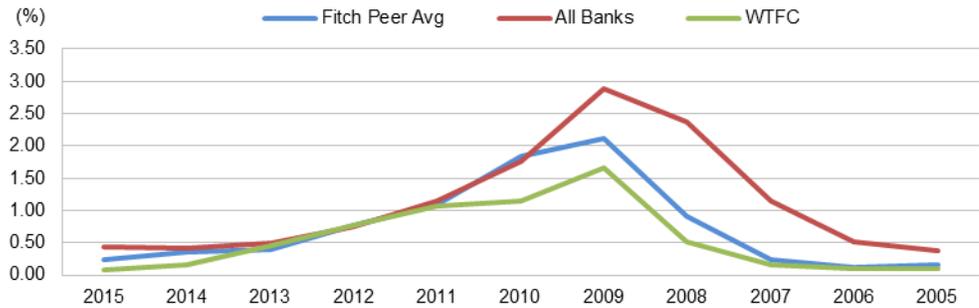
Underwriting is solid, as evidenced by superior asset quality and credit loss performance through the cycle relative to peers. While WTFC did experience noticeable asset quality deterioration during the financial crisis, Fitch believes that this was primarily a function of the company's local operating environment being hit for a prolonged period.

Management Tenure

Name	Age	Title	Joined Wintrust
Edward J. Wehmer	62	Pres/CEO	Founder
David A. Dykstra	55	COO	1995
Richard B. Murphy	56	CCO	1993
David L. Stoehr	56	CFO	2002

Source: Company Filings, Fitch.

Conservative Underwriting, Loan Portfolio Structure has Led to Lower NCOs



Source: Company Regulatory Filings, St. Louis Federal Reserve

Fitch additionally notes that the company’s ability and willingness to pull back on loan growth leading up to the crisis points toward a more conservative risk appetite relative to peer banks. In conjunction with the announcement that the company would reduce loan volumes due to irrational pricing and terms, Fitch positively views WTFC’s ability to announce and close on

M&A transactions relatively quickly. While some of this is a function of the typical size of the banks WTFC has purchased, in Fitch’s view, this also points toward adequate risk controls and risk systems, especially as they relate to BSA/AML, which have caused delays in other bank acquisitions.

Growth Reasonable, Driven by C&I and Acquisitions

Loan growth at WTFC has been most apparent within commercial and industrial (C&I) loans. Similar to peer banks, management has made C&I an area of focus over the last few years to diversify away from commercial real estate and gather corporate deposit accounts. WTFC has done so through a rebranding effort at the community bank level. Management had found that many commercial borrowers were unaware of the “Wintrust” brand and its capabilities in the middle market space. Thus now all chartered community banks’ names are followed with “...a Wintrust Community Bank”. Management has found that this strategy has helped leverage the company’s brand and as such resulted in decent C&I growth.

Regulators continue to cite concerns about fierce competition and loosening underwriting standards in the C&I space. Fitch also remains concerned that the prolonged yield environment is encouraging excessive risk taking and that the fallout may not be visible for some time.

2015 Growth

(% YoY Loan Growth)

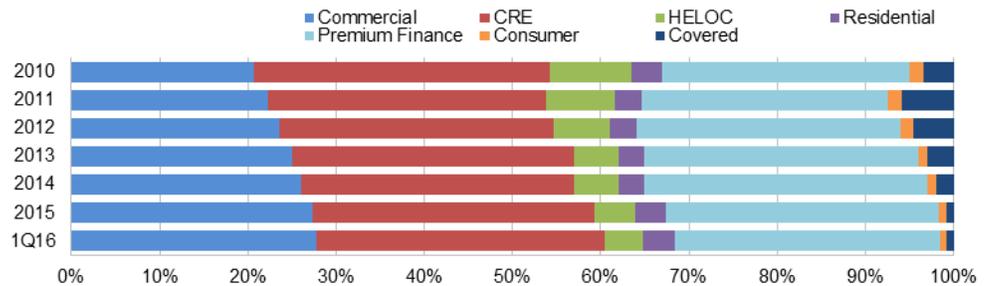
Fitch Rated U.S. Banks	Total Loans	C&I	1-4 Family	Multi-Family	Owner Occupied CRE	Non-Owner Occupied CRE ^a	Home Equity ^b	Credit Card	Auto Loans	Other Consumer	All Other ^c
U.S. GTUB Banks (5)	5.40	14.44	16.70	8.12	5.13	20.13	(9.14)	(0.90)	(27.80)	(0.36)	3.69
Large Regional Banks (15)	6.22	7.57	13.92	10.32	(0.12)	8.67	(1.41)	13.48	(3.39)	16.38	11.50
Mid Regional Banks (13)	13.68	10.24	7.52	29.88	6.81	28.04	4.42	(1.79)	(23.32)	19.08	30.39
Community Banks (7)	9.23	8.80	11.21	13.24	7.81	6.24	12.73	0.00	(2.32)	23.40	85.73
WTFC	17.79	18.79	17.27	20.01	11.02	24.49	7.57	N.M	(47.34)	28.13	(14.28)

^aConstruction & Land Loans included in Non-Owner Occupied CRE. ^bHome Equity = HELOCs + Home Equity Loans. ^cAll Oth = Farmland Loans + Lns & Accept to Dep Inst + Agric Prod & Farm Loans + Loans to Forgn Govts + Loans to Nondeposit Insts + Loans for Purch & Carrying Secs + Other Loans + Lease Fin Recvbl. Source: FR Y9-C, Fitch.

Fitch notes that WTFC’s construction and development (C&D) loans have also experienced robust growth relative to peers and the Fitch-rated universe. Most of the lending relates to

office, retail and multifamily construction in and around Chicago. Fitch believes that this is a function of pent-up demand in the area after a significant pull-back in construction following the financial crisis. Furthermore, Fitch notes that C&D lending remains a fairly small portion of WTFC's loan portfolio at roughly 3% of total loans.

Gradual Shift in Portfolio Mix but Keeping Core Competencies



Source: Company reports

Growth is also somewhat skewed by acquisitions, which still carry with them a level of integration risk. Excluding the acquisitions, Fitch calculates WTFC's total loan growth at 14% over the past 12 months, which is in line with the peer group average.

Asset Sensitive But Will Need to Retain Non-Interest Bearing

Given the short-term nature of its balance sheet, WTFC may benefit from higher interest rates in the future. In a 200-bp or more ramp scenario (equal steps over 12 months), the company projects that net interest income would increase 7.5%. Disclosure of being asset sensitive aligns with Fitch's expectations and is primarily due to the company's short duration loan portfolio. At 1Q16, 80.7% of WTFC's commercial loans (inclusive of premium finance loans) were variable or repriced with one year. Over half of the company's commercial loans are variable rate with no floor, meaning a short-term rate increase would boost the level of interest income derived from its loan book.

Fitch notes that, in general, most banks' net interest income simulation models are likely directionally sound when they show the majority of balance sheets as asset sensitive. However, the magnitude by which net interest income changes could be vastly different than modeled, depending on how depositors and borrowers actually behave with rates rising, given the unprecedented length of time that rates have remained low and the level at which they have been kept.

While many banks use data in their models gathered during prior tightening periods, such as 1994–1995 and 2004–2006, the level at which rates are currently and the amount of time rates have been so low may cause much different depositor behavior than during those periods. Furthermore, Fitch expects new regulatory liquidity rules, such as liquidity coverage ratio (LCR), and the ongoing reforms in the money market industry, as well as higher money velocity than in the past due to the rise of Internet-based banking, to play significant roles in how both banks and depositors respond to rising rates.

Fitch believes WTFC will be an interesting case when it comes to depositor behavior. Historically, WTFC was heavily reliant on CD funding, a function of its target customer and operating footprint (generally, wealthier areas of Chicago), which has led to higher cost of deposits at the bank over the years. However, the company has experienced a fairly significant shift in deposit mix over time, which may impact deposit pricing under a higher interest rate environment.

Net Interest Income Simulation

(%)

Ramp Scenarios	200 bps	100 bps	-100 bps
March 2016	7.50	3.70	(3.70)
Dec. 2015	7.30	3.90	(4.40)
Dec. 2014	5.40	2.50	(3.90)
Dec. 2013	5.00	2.40	(5.00)

Source: Company filings.

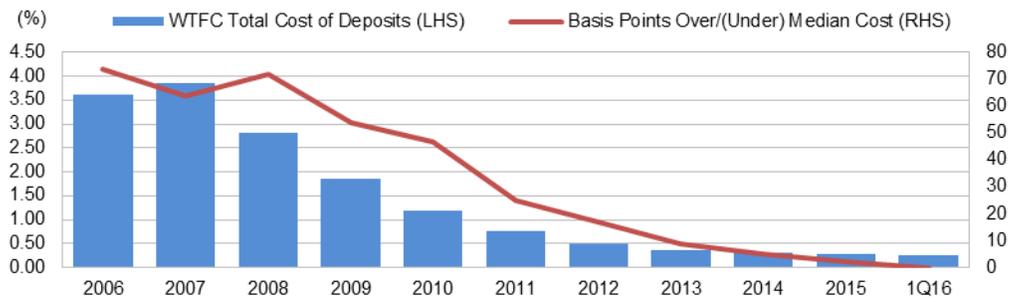
Big Shift in Deposit Make-up. Will it Stick?



Source: Regulatory Filings

Some of the shift is likely attributed to various strategic initiatives as well as the M&A transactions WTFC's has completed over the years that have brought over significant levels of savings and demand deposits. Still, much of the shift can also be attributed to the prolonged low interest rate environment in which depositors have parked excess cash in non-interest-bearing accounts for the sake of flexibility to move money once rates begin to move upward. Relative to the 2004-2006 tightening cycle, Fitch anticipates the bank's cost of deposits to remain closer to the peer group median during the next Fed rate hike. Therefore, Fitch will be monitoring WTFC's deposit mix going forward to see if the bank is able to retain non-interest-bearing deposits under a higher rate environment, leading to improved earnings. Such a trend (earnings improvement) could result in positive rating momentum, provided capital and asset quality remain adequate.

Deposit Costs Now More in Line with Median



Source: FIS

Financial Profile
Asset Quality

Solid Asset Quality

Asset Quality Trends

(\$m)	12/31/12	12/31/13	12/31/14	YoY % Δ	12/31/15	3/31/16
NPLs	108	94	70	4	73	77
OREO	63	51	46	(5)	44	41
Acc TDRs	106	78	70	(39)	43	35
Total NPAs (noncovered)	277	223	186	(14)	160	152
NPAs/Total Lns+OREO (%)	2.33	1.72	1.29	(0.36)	0.93	0.87
ALLL/NPLs	1.12	1.14	1.33	0.04	1.37	1.45

Source: Company filings.

WTFC's continues to have relatively strong asset quality compared to similarly rated peers, which Fitch believes is a reflection of management's consistent conservative credit risk philosophy. However, even with absolute and relative levels of NPAs below peer averages, Fitch views WTFC's concentration within the Chicagoland marketplace as a rating constraint, given Fitch's view of the Chicago market as being densely populated by banks and economically challenged. Fitch believes this geographic concentration could result in prolonged periods of tepid earnings and elevated nonperforming assets (NPAs) relative to peers through the credit cycle. This was shown during 2009-2012 when the company's level of NPAs and NCOs remained elevated compared to higher rated peers even with what Fitch considers as a conservative risk appetite.

Still, Fitch recognizes management's strategy to operate with one-third of its portfolio in insurance premium finance loans originated through FIFC, which have extremely low historical losses, as shown in the table below.

Premium Finance Credit Trends

	NCO 15-Qtr Avg	1Q16	4Q15	3Q15	2Q15	1Q15	2014	2013	2012	2011	2010
Period-End Loans – P&C (\$m)		2,321	2,375	2,407	2,460	2,320	2,351	2,378	2,379	2,208	2,168
NCOs – P&C	0.21	0.29	0.41	0.21	0.18	0.16	0.19	0.19	0.16	0.04	1.74
Period-End Loans - Life (\$m)		2,977	2,961	2,700	2,537	2,376	2,278	2,134	2,052	1,929	1,924
NCOs – Life	0.00	–	–	–	–	–	–	–	–	0.02	–

Source: Company reports.

Material losses relating to P&C insurance loans are typically the result fraud on the broker's or agent's part. In 2010, FIFC along with a few other companies across the country were hit with a large fraud. FIFC took around \$15m in losses but recovered \$5m from insurance coverage. The only other material fraud occurred in 2000 when the company took a \$4.5m charge and subsequently recovered \$1.25m. Annualized normal NCOs related to P&C have been well under 20 bps over the last 15 quarters while, the life insurance premium finance book has not had a net charge off since 2011.

Earnings and Profitability

Relatively Lower Earnings

Profitability Trends

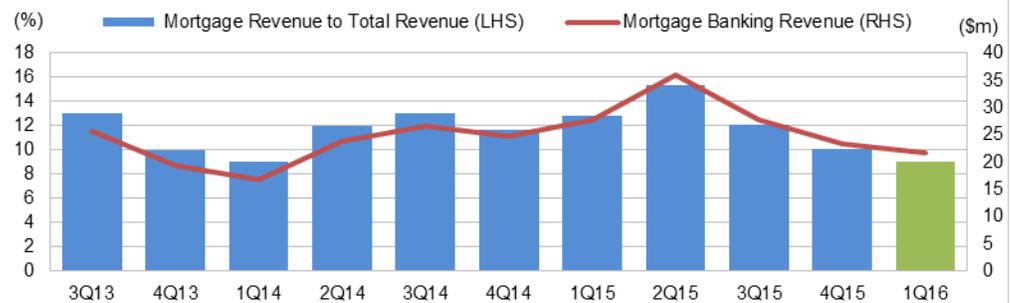
(%)	1Q16	2015	2014	2013	2012	2011	2010	2009
Net Income (\$000)	49,111	156,749	151,398	137,210	111,196	77,575	63,329	73,069
Return on Average Assets	0.85	0.75	0.81	0.79	0.67	0.52	0.47	0.64
Return on Average Equity	8.24	7.03	7.62	7.42	6.53	5.22	4.71	6.72
Net Interest Margin ^a	3.32	3.36	3.53	3.50	3.49	3.42	3.37	3.01
Noninterest Income/Average Assets	1.19	1.29	1.15	1.27	1.37	1.27	1.42	2.78
Number of FTEs	3,715	3,770	3,491	3,413	3,269	2,933	2,331	2,381

^aNot adjusted for purchase accounting. Source: Regulatory Filings, FIS.

WTFC's earnings performance has been modest but fairly consistent over time. Even with relatively strong AQ and corresponding lower credit costs, earnings have historically been lower than peers due to the cost structure of having separate charters, a net interest margin (NIM) compressed by a relatively higher cost of funds and the competitive landscape of the Chicagoland banking market. WTFC has never achieved a ROA of greater than 100 bps since going public in 1996.

Fitch observes that the company's YTD 2015 ROA of 75 bps was supported by continued strong AQ and improved mortgage banking operations. Mortgage originations totaled \$3.9bn as of year-ended 2015, up from \$3.2bn in 2014. During the year, WTFC realized \$115m in net mortgage banking income, accounting for over 13% of total revenue, up from \$92m in 2014.

Mortgage Operations Trends



Source: Company Filings

Management has indicated it is committed to modestly expanding its mortgage banking business. In 2013, WTFC purchased Surety Mortgage Services to boost production. However, as rates remain low and refinance activity slows, Fitch would anticipate mortgage banking income to recede to more historical norms and account for less than 10% of total revenue, putting moderate pressure on the bottom line but likely not enough to negatively affect ratings.

Management has publically stated it believes the company can reach a ROA of between 110 and 120 bps in a higher rate environment. Fitch observes that this level of profitability has never been reached by WTFC. Fitch expects the company's balance sheet structure to remain short term and its business strategy to be unchanged. Therefore, Fitch believes the probability of WTFC realizing a ROA of more than 100 bps may be low over the near- to intermediate-term.

Capitalization and Leverage

Capital Management In Line with Expectations and Rating

Capital Ratios

(%)	3/31/16	12/31/15	9/30/15	6/30/15	3/31/15	12/31/14	9/30/14	6/30/14	3/31/14	12/31/13
Tangible Common Equity/Tangible Assets	7.2	7.2	7.4	7.7	7.9	7.8	7.9	8.0	8.0	7.8
TCE Ratio, Assuming Full Conversion of Preferred Stock	7.8	7.7	8.0	8.4	8.5	8.4	8.6	8.7	8.7	8.5
Leverage Ratio	8.7	9.1	9.2	9.8	9.2	10.2	10.0	10.5	10.4	10.5
Common equity Tier 1 Capital Ratio	8.4	8.4	8.6	9.0	9.1	9.4	-	-	-	-
Tier 1 Risk-Based Capital Ratio	9.6	10.0	10.3	10.7	10.1	11.7	11.7	11.7	12.0	12.2
Total Risk-Based Capital Ratio	12.1	12.2	12.6	13.1	12.5	13.1	13.1	13.2	12.6	12.9

Source: Company reports, Regulatory Filings

With a Fitch core capital to risk-weighted assets ratio of 8.15% as of 1Q16, Fitch considers WTFC's capital as adequate relative to others in WTFC's peer group and relative to its overall risk profile. Regulatory capital ratios are also considered ample, with a total risk-based capital ratio of 12.1%. WTFC's ratings not only reflect its ability to maintain an adequate capital base through the cycle but also its proven ability to raise capital in the private and public markets. This was once again just evidenced recently when the company announced a \$150 million common stock issuance. Given the acquisitive nature of WTFC, Fitch expects the company

may use some of the proceeds from the sale to support M&A while maintaining capital ratios at or around current levels. Fitch believes the company will maintain a very modest payout ratio of between 10% and 20% of the previous year's earnings given its acquisitive nature. Furthermore, Fitch's expects that, in the event of any meaningful acquisition or merger by WTFC, commensurate capital would be raised to maintain adequate capital levels.

Last 24 Months Capital Offerings

Announce Date	Offering Type	Coupon/Dividend (%)	Shares Offered	Offering Size (000s)
6/8/2016	Common Stock	-	3,000,000	156,000
6/22/2015	Preferred Equity	6.5000	5,000,000	125,000
6/9/2014	Subordinated Notes	5.0000	-	140,000

Source: Bloomberg

Funding and Liquidity

Liquidity Managed Conservatively and Consistently

Fitch considers WTFC's funding to be sound, owing to its reliance on relatively stable deposits. Although WTFC has a higher mix of CDs than most other banks (even with the aforementioned deposit mix shift), Fitch considers this reasonable given the company's operating footprint, historical strategy and evidenced ability to maintain adequate funding sources over time. Therefore, Fitch would likely not consider a reversion to more reliance on local CDs as a reason to downgrade given the bank's proven ability to earn reasonable returns in such a scenario.

Similar to other areas of the company, liquidity and funding are managed conservatively. Consistent with its stated parameters, Fitch observes that WTFC typically maintains a loan to deposit ratio of between 85% and 90%, with the company running the ratio down when management believes the loan market is getting overheated. The primary source of funding and liquidity for WTFC comes from its local deposit markets in the surrounding Chicagoland area.

A potential secondary source of liquidity could be the securitization of WTFC's P&C premium finance loans. This is something that WTFC has done in the past, specifically in 2009, when it securitized \$600m in premium finance loans in conjunction with TALF. Fitch believes that the company could conduct a similar transaction if current market conditions persist and investors remain hungry for yield.

Holding company liquidity is sufficient. The holding company had \$117m of cash at YE15, with very little debt due in the near term. Furthermore, WTFC's subsidiary banks had \$70.2m in dividend capacity at YE15. Even without that capacity, the holding company has minimal liabilities and cash flow needs.

Peer Analysis

Selected Financial Ratios

(Quarter-Ended March 31, 2016)

(%)	Total Assets (\$m)	ROA	ROE	NIM	Non-Interest Income / Total Revenues	Efficiency	NPAs	NCOs	Reserves / Total Loans	TCE / TA	CET 1*	Div. Payout Ratio	LTD Total Funding	Short-Term Wholesale Funding / Total Deposits	Non-Int Deposits / Total Deposits
BKU	24,819	0.90	9.74	3.85	8.31	60.61	0.64	0.09	0.73	8.74	12.06	40.97	97.68	15.10	17.13
BOKF	31,451	0.54	5.20	2.63	44.19	72.23	2.14	0.55	1.43	8.75	12.00	66.69	79.87	23.79	8.68
CATY	13,262	1.39	10.60	3.34	6.96	46.84	1.56	(0.24)	1.30	10.55	12.60	30.72	100.31	7.58	19.94
EWBC	33,109	1.31	13.57	3.29	11.52	50.45	1.14	0.09	1.09	8.31	10.68	27.04	83.13	0.72	33.13
FHN	26,966	0.74	8.42	2.89	43.38	73.82	2.74	0.21	1.15	7.60	10.33	34.55	87.03	8.54	28.13
FINN	18,509	1.02	9.75	5.88	28.24	62.31	1.38	1.52	2.07	9.40	11.22	16.21	88.57	3.88	30.31
FRB	62,103	0.97	10.19	3.19	17.23	57.89	0.16	-	0.59	7.27	10.61	16.76	88.60	n.a.	38.65
FULT	18,082	0.85	7.44	3.22	24.55	68.35	1.39	0.20	1.18	8.58	10.11	40.80	96.48	4.97	28.71
HTH	11,732	0.93	6.31	4.18	74.37	87.20	1.57	0.04	0.70	12.42	17.56	-	101.05	12.48	31.98
SNV	29,171	0.73	7.06	3.21	21.73	66.55	1.86	0.13	1.12	9.60	10.04	30.15	97.32	0.95	29.41
TCB	21,333	0.91	8.29	4.42	33.89	70.00	2.06	0.34	0.89	8.77	9.98	28.97	103.82	1.93	19.50
TRMK	12,775	0.85	7.25	3.50	30.86	69.06	1.85	-	1.06	8.51	12.41	57.92	81.21	7.74	29.84
UMBF	19,303	0.76	7.55	2.80	48.42	75.89	0.85	0.24	0.83	8.81	11.80	33.39	62.94	9.85	40.22
WTFC	23,492	0.85	8.24	3.35	28.23	64.08	0.98	0.05	0.63	7.18	8.37	12.78	92.46	2.58	27.74
Mean		0.91	8.54	3.55	30.13	66.09	1.45	0.23	1.06	8.89	11.41	31.21	90.03	7.70	27.38
Median		0.88	8.27	3.32	28.24	67.45	1.48	0.11	1.08	8.75	10.95	30.44	90.53	7.58	29.06

Data does not adjust for purchase accounting or covered loans. Short-term wholesale funding defined as: Fed funds purchased, repurchase agreements, CP, trading liabilities, and borrowings with a maturity less than one year. Source: Financial Information Systems.

Appendix 1

Wintrust Financial Corp. - Bank Subsidiary Summary

(%, As of March 31, 2016)

	Total equity capital/ Assets (\$m)	Tangible capital/ Tangible assets	Return on average assets	Total loans/ Deposit	Nonaccruing loans & leases/Total loans	Net chargeoffs/ Avg total loans	Tier 1 Leverage Ratio	Tier 1 Capital Ratio	Total Capital Ratio
Barrington Bank & Trust Company, National Association	1,931,643	8.95	0.82	133.21	0.29	0.02	9.63	11.00	11.38
Beverly Bank & Trust Company, National Association	1,012,446	8.11	0.48	87.46	0.28	0.04	8.30	9.32	9.68
Crystal Lake Bank And Trust Company, National Association	938,917	8.86	1.01	89.75	1.05	0.19	9.03	11.01	11.52
Hinsdale Bank & Trust Company	1,947,233	9.73	0.98	94.36	0.78	0.10	10.14	10.81	11.32
Lake Forest Bank And Trust Company	2,860,617	9.85	1.63	89.88	0.34	0.10	9.82	11.08	12.20
Libertyville Bank & Trust Company	1,225,942	9.71	0.97	92.75	0.33	-	9.70	11.12	11.74
Northbrook Bank And Trust Company	1,659,325	8.05	0.79	82.49	0.92	(0.15)	8.15	9.58	11.15
Old Plank Trail Community Bank, National Association	1,224,250	8.30	0.59	77.29	0.53	0.14	8.55	10.30	10.84
Schaumburg Bank & Trust Company, National Association	937,422	8.33	0.85	91.96	0.65	0.11	8.65	9.45	10.23
St. Charles Bank & Trust Company	811,797	9.68	0.97	94.10	0.05	0.02	9.55	10.67	11.48
State Bank Of The Lakes	1,017,346	8.06	0.78	88.74	0.37	0.02	8.33	9.78	11.38
Town Bank	1,678,542	9.99	0.80	92.23	0.12	0.03	11.19	11.85	12.31
Village Bank and Trust	1,253,815	9.05	1.06	92.55	0.70	(0.01)	9.26	10.36	11.26
Wheaton Bank & Trust	1,282,994	8.14	1.01	85.46	0.36	-	8.29	9.65	11.71
Wintrust Bank	3,880,561	8.29	1.03	90.53	0.36	0.07	8.79	9.31	11.36

Source: Regulatory Filings

Appendix 2

Acquisitions

Whole Bank Acquisitions	State	Announcement Date	Purchase Price (\$m)	Target Total Assets (\$000)
Generations Bancorp, Inc.	WI	1/14/2016	30.00	124,901
Suburban Illinois Bancorp, Inc.	IL	4/2/2015	12.50	470,549
North Bank	IL	3/30/2015	17.00	107,911
Community Financial Shares, Inc.	IL	3/2/2015	42.38	343,012
Delavan Bancshares, Inc.	WI	10/14/2014	38.00	205,936
Diamond Bancorp, Inc.	IL	7/31/2013	3.62	164,162
First Lansing Bancorp, Inc.	IL	1/22/2013	38.45	371,253
HPK Financial Corporation	IL	9/18/2012	27.50	389,772
Elgin State Bancorp, Inc.	IL	7/26/2011	15.46	288,346
Hinsbrook Bancshares, Incorporated	IL	12/5/2005	122.78	506,212
First Northwest Bancorp, Incorporation	IL	11/17/2004	45.06	236,334
Antioch Holding Company	IL	10/15/2004	95.00	438,197
Town Bankshares, Ltd	WI	6/14/2004	41.44	216,616
Northview Financial Corporation	IL	5/10/2004	47.79	338,320
Village Bancorp, Inc.	IL	8/7/2003	9.00	71,647
Advantage National Bancorp	IL	7/2/2003	21.51	104,333

Branch Acquisitions	State	Announcement Date	Number of Branches	Deposits Purchased (\$000)
Talmer Bancorp, Inc.	WI	4/9/2014	12	354,800
Triumph Consolidated Cos., LLC	WI	4/7/2014	1	36,326
Urban Partnership Bank	IL	3/15/2014	1	5,400
EB Financial Group, Inc.	IL	12/3/2013	1	15,000
Suburban Illinois Bancorp, Inc.	IL	1/13/2012	1	52,000
1st Brookfield, Inc.	IL	8/17/2010	1	23,000

FDIC-Assisted Acquisitions	State	Announcement Date	Fai Value of Assets (\$000)	Fair Value of Liabilities (\$000)
First United Bank	IL	9/28/2012	328,142	321,522
Second Federal Savings and Loan Association of Chicago	IL	7/20/2012	171,625	171,582
Charter National Bank & Trust	IL	2/10/2012	92,409	91,570
First Chicago Bank & Trust	IL	7/8/2011	768,873	741,508
Bank of Commerce	IL	3/25/2011	173,986	168,472
Community First Bank- Chicago	IL	2/4/2011	50,891	49,779
Ravenswood Bank	IL	8/6/2010	173,919	122,943
Wheatland Bank	IL	4/23/2010	343,870	415,560
Lincoln Park Savings Bank	IL	4/23/2010	157,078	192,018

Source: Company Website

Wintrust Financial Corporation

(\$m)	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
	FYE	FYE	FYE	FYE	FYE	FYE
INCOME STATEMENT						
Gross Interest and Dividend Income	718	671	631	627	606	593
Total Interest Expense	77	73	80	108	144	177
Net Interest Income	642	599	551	520	461	416
Total Non-Interest Operating Income	273	218	223	231	182	188
Total Non-Interest Expenses	630	549	503	493	411	379
Loan Impairment Charge	33	20	47	77	105	123
Operating Profit	252	246	224	180	128	101
Pre-tax Profit	252	246	224	180	128	101
Tax expense	95	95	87	69	50	37
Net Income	157	151	137	111	78	63
Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Published Net Income	157	151	137	111	78	63
Memo: Preferred Dividends Related to the Period	11	6	8	9	4	18
BALANCE SHEET						
Assets						
Cash and Due From Banks	237	231	263	313	168	173
Loans and Advances to Banks	646	998	496	1,036	749	866
Trading Securities and at FV through Income	0	1	0	2	2	5
Other Securities	2,601	1,792	2,177	1,799	1,294	1,496
Derivatives	51	46	43	50	n.a.	n.a.
Total Securities	2,653	1,839	2,221	1,851	1,296	1,501
Gross Loans	17,682	15,012	13,609	12,826	11,521	10,330
Memo: Impaired Loans included above	115	140	179	225	434	320
Memo: NPL's + TDR's included above	115	140	179	225	434	320
Less: Reserves for Impaired Loans/ NPLs	108	94	107	121	123	114
Net Loans	17,574	14,918	13,502	12,705	11,398	10,216
Other Earning Assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total Earning Assets	20,873	17,755	16,218	15,592	13,443	12,583
Fixed Assets	599	554	531	501	432	364
Goodwill	472	406	375	345	305	281
Other Intangibles	33	27	28	28	29	21
Other Assets	712	1,059	683	740	1,517	546
Total Assets	22,926	20,032	18,098	17,520	15,894	13,968
Liabilities and Equity						
Total Customer Deposits	18,838	16,468	14,812	14,470	12,307	10,804
Deposits from Banks	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Repos and Cash Collateral	59	49	235	238	413	217
Total Money Market and Short-term Funding	431	681	91	77	110	77
Total Long Term Funding	776	340	347	390	1,083	1,033
Derivatives	44	39	34	50	n.a.	n.a.
Trading Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total Funding	20,148	17,576	15,519	15,226	13,913	12,131
Other Liabilities	157	137	429	240	187	151
Total Liabilities	20,305	17,713	15,948	15,465	14,101	12,282
Hybrid Capital						
Pref. Shares and Hybrid Capital accounted for as Debt	269	249	249	249	249	249
Pref. Shares and Hybrid Capital accounted for as Equity	251	126	126	176	50	50
Equity						
Non-controlling Interest	n.a.	n.a.	0	0	0	0
Total Equity	2,101	1,943	1,774	1,629	1,494	1,387
Total Liabilities and Equity	22,926	20,032	18,098	17,520	15,894	13,968

Source: Company filings and Fitch. ????? Is the income data footnote relevant to this table????

Wintrust Financial Corporation

(\$m)	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010
	FYE	FYE	FYE	FYE	FYE	FYE
ASSET QUALITY						
Gross Charge-Offs	26	38	77	104	123	113
Net Charge-offs/ Average Gross Loans (%) (1)	0.08	0.16	0.44	0.85	1.00	1.14
Impaired Loans	115.14	139.67	179.40	224.77	434.04	320.04
NPL's + TDR's	115.14	139.67	179.40	224.77	434.04	320.04
Impaired Loans(NPLs)/ Gross Loans (%)	0.65	0.93	1.32	1.75	3.77	3.10
NPL's + TDR's/ Gross Loans (%)	0.65	0.93	1.32	1.75	3.77	3.10
Reserves for Impaired Loans/ Gross loans (%)	0.61	0.63	0.79	0.94	1.07	1.10
Reserves for Impaired Loans/ Impaired Loans (%)	94.17	67.18	59.65	53.75	28.42	35.59
Reserves for Impaired Loans/ NPL's + TDR's (%)	94.17	67.18	59.65	53.75	28.42	35.59
Impaired Loans less Reserves for Imp Loans/ Equity (%)	0.29	2.21	3.81	5.76	20.12	14.35
NPL's + TDR's less Reserves for Imp Loans/ Equity (%)	0.29	2.21	3.81	5.76	20.12	14.35
CAPITAL ADEQUACY (%)						
Tangible Common Equity/ Tangible Assets	7.16	7.75	7.80	7.36	7.49	8.00
Internal Capital Generation ^a	5.94	6.51	6.87	5.88	4.50	2.92
Dividend Payout Ratio	20.38	16.47	11.10	13.93	13.33	35.96
Tier 1 Capital Ratio	9.97	11.56	12.18	12.07	11.79	12.49
Total Capital Ratio	12.21	12.98	12.90	13.07	12.99	13.79
PROFITABILITY (%)						
Net Income/ Average Total Assets ^a	0.74	0.78	0.77	0.64	0.48	0.47
Net Income/ Average Total Equity ^a	7.09	7.63	7.41	6.64	5.21	5.72
Net Interest Income/ Average Earning Assets ^a	3.36	3.37	3.40	3.69	3.23	3.44
Cost to Income Ratio	68.88	67.30	64.96	65.72	63.83	62.86
Taxes/ Pre-tax Profit	37.74	38.56	38.87	38.27	39.41	37.18
LIQUIDITY (%)						
Loans/ Customer Deposits	93.87	91.16	91.88	88.64	93.61	95.62
Net Loans/ Total Deposits	93.29	90.59	91.15	87.80	92.61	94.56
Net Loans/ Total Assets	76.65	74.47	74.60	72.52	71.71	73.14

^aNote: uarterly income data is annualized. Source: Company filings and Fitch.

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