WINTRUST FINANCIAL CORP
Form 10-K
February 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended December 31, 2015
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Transition Period from to
Commission File Number 001-35077
Wintrust Financial Corporation
(Exact name of registrant as specified in its charter)

Illinois	36-3873352
(State of incorporation or organization)	(I.R.S. Employer Identification No.)

9700 W. Higgins Road, Suite 800
Rosemont, Illinois 60018
(Address of principal executive offices)
Registrant's telephone number, including area code: (847) 939-9000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, no par value	The NASDAQ Global Select Market
Series D Preferred Stock, no par value	The NASDAQ Global Select Market
Warrants (expiring December 19, 2018)	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. þ Yes ¨ No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes þ No
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes ¨ No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨ Yes þ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definition of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One).

Large accelerated filer þ	Accelerated filer ¨	Non-Accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ¨ Yes þ No

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2015 (the last business day of the registrant's most recently completed second quarter), determined using the closing price of the common stock on that day of $53.38, as reported by the NASDAQ Global Select Market, was $2,514,968,967.

As of February 24, 2016, the registrant had 48,429,151 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Company's Annual Meeting of Shareholders to be held on May 26, 2016 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Overview

Wintrust Financial Corporation, an Illinois corporation ("we," "Wintrust" or "the Company"), which was incorporated in 1992, is a financial holding company based in Rosemont, Illinois, with total assets of approximately $22.9 billion as of December 31, 2015. We conduct our businesses through three segments: community banking, specialty finance and wealth management. All segment measurements discussed below are based on the reportable segments and do not reflect intersegment eliminations.

We provide community-oriented, personal and commercial banking services to customers located in the Chicago metropolitan area and in southern Wisconsin ("our market area") through our fifteen wholly owned banking subsidiaries (collectively, the "banks"), as well as the origination and purchase of residential mortgages for sale into the secondary market through Wintrust Mortgage, a division of Barrington Bank and Trust Company, N.A. ("Barrington Bank"). For the years ended December 31, 2015, 2014 and 2013, the community banking segment had net revenues of $714 million, $621 million and $599 million, respectively, and net income of $102 million, $99 million and $88 million, respectively. The community banking segment had total assets of $19.3 billion, $16.7 billion and $15.1 billion as of December 31, 2015, 2014 and 2013, respectively. The community banking segment accounted for approximately 77% of our consolidated net revenues for the year ended December 31, 2015.

We provide specialty finance services, including financing for the payment of commercial insurance premiums and life insurance premiums ("premium finance receivables") on a national basis through our wholly owned subsidiary, First Insurance Funding Corporation ("FIFC") and in Canada through our premium finance company, First Insurance Funding of Canada ("FIFC Canada"), and short-term accounts receivable financing and outsourced administrative services through our wholly owned subsidiary, Tricom, Inc. of Milwaukee ("Tricom"). For the years ended December 31, 2015, 2014 and 2013, the specialty finance segment had net revenues of $119 million, $115 million and $105 million, respectively, and net income of $42 million, $41 million and $38 million, respectively. The specialty finance segment had total assets of $3.1 billion, $2.8 billion and $2.5 billion as of December 31, 2015, 2014 and 2013, respectively. The specialty finance segment accounted for 13% of our consolidated net revenues for the year ended December 31, 2015.

We provide a full range of wealth management services primarily to customers in our market area through three separate subsidiaries, The Chicago Trust Company, N.A. ("CTC"), Wayne Hummer Investments, LLC ("WHI") and Great Lakes Advisors, LLC ("Great Lakes Advisors"). For the years ended December 31, 2015, 2014 and 2013, the wealth management segment had net revenues of $93 million, $89 million and $80 million, respectively, and net income of $13 million, $12 million and $11 million, respectively. The wealth management segment had total assets of $549 million, $520 million and $494 million as of December 31, 2015, 2014 and 2013, respectively. The wealth management segment accounted for 10% of our consolidated net revenues for the year ended December 31, 2015.

Our Business

Community Banking

Through our banks, we provide community-oriented, personal and commercial banking services to customers located in our market area. Our customers include individuals, small to mid-sized businesses, local governmental units and institutional clients residing primarily in the banks' local service areas. The banks have a strategy to provide comprehensive community-focused banking services. In keeping with this strategy, the banks provide highly personalized and responsive service, a characteristic of locally-owned and managed institutions. As such, the banks compete for deposits principally by offering depositors a variety of deposit programs, convenient office locations, hours and other services, and for loan originations primarily through the interest rates and loan fees they charge, the efficiency and quality of services they provide to borrowers and the variety of their loan and cash management products. Using our decentralized corporate structure to our advantage, we offer our MaxSafe® deposit accounts, which provide customers with expanded Federal Deposit Insurance Corporation ("FDIC") insurance coverage by spreading a customer's deposit across our fifteen banks. This product differentiates our banks from many of our competitors that have consolidated their bank charters into branches. We also have a downtown Chicago office that works with each of our banks to capture commercial and industrial business. Our commercial and industrial lenders in our downtown office operate in close partnership with lenders at our community banks. By combining our expertise in the commercial and industrial sector with our high level of personal service and full suite of banking products, we believe we create another point of differentiation from both our larger and smaller competitors. Our banks also offer home equity, consumer, and real estate loans, safe deposit facilities, ATMs, internet banking and other innovative and traditional services specially tailored to meet the needs of customers in their market areas.

We developed our banking franchise through a combination of de novo organization and the purchase of existing bank franchises. The organizational efforts began in 1991, when a group of experienced bankers and local business people identified an unfilled niche in the Chicago metropolitan area retail banking market. As large banks acquired smaller ones and personal service was subjected to consolidation strategies, the opportunity increased for locally owned and operated, highly personal service-oriented banks. As a result, Lake Forest Bank and Trust Company (“Lake Forest Bank”) was founded in December 1991 to service the Lake Forest and Lake Bluff communities.

We now own fifteen banks, including nine Illinois-chartered banks: Lake Forest Bank, Hinsdale Bank and Trust Company (“Hinsdale Bank”), Wintrust Bank, Libertyville Bank and Trust Company (“Libertyville Bank”), Northbrook Bank & Trust Company (“Northbrook Bank”), Village Bank & Trust (“Village Bank”), Wheaton Bank & Trust Company (“Wheaton Bank”), State Bank of the Lakes and St. Charles Bank & Trust Company (“St. Charles Bank”). In addition, we have one Wisconsin-chartered bank, Town Bank, and five nationally chartered banks: Barrington Bank, Crystal Lake Bank & Trust Company, N.A. (“Crystal Lake Bank”), Schaumburg Bank & Trust Company, N.A. (“Schaumburg Bank”), Beverly Bank & Trust Company, N.A. (“Beverly Bank”) and Old Plank Trail Community Bank, N.A. (“Old Plank Trail Bank”). As of December 31, 2015, we had 152 banking locations.

Each bank is subject to regulation, supervision and regular examination by: (1) the Secretary of the Illinois Department of Financial and Professional Regulation (“Illinois Secretary”) and the Board of Governors of the Federal Reserve System (“Federal Reserve”) for Illinois-chartered banks; (2) the Office of the Comptroller of the Currency (“OCC”) for nationally-chartered banks; or (3) the Wisconsin Department of Financial Institutions (“Wisconsin Department”) and the Federal Reserve for Town Bank.

We also engage in the retail origination and correspondent purchase of residential mortgages through Wintrust Mortgage. Most originated and purchased loans sold into the secondary market are sold with servicing released. Certain originated loans are sold to the Company's banks with servicing remaining within Wintrust Mortgage operations. Wintrust Mortgage maintains retail mortgage offices in a number of states, with the largest concentration located in the Chicago, Minneapolis and Los Angeles metropolitan areas.

We also offer several niche lending products through several of the banks. These include Barrington Bank's Community Advantage program, which provides lending, deposit and cash management services to condominium, homeowner and community associations; Hinsdale Bank's mortgage warehouse lending program, which provides loan and deposit services to mortgage brokerage companies located predominantly in the Chicago metropolitan area; and Lake Forest Bank's franchise lending program, which provides lending to restaurant franchisees. Other niches offered throughout our banking franchise include Wintrust Commercial Finance, which offers direct leasing opportunities; Wintrust Business Credit, which specializes in asset-based lending for middle-market companies; Wintrust SBA Lending, which is dedicated to offering expertise in Small Business Administration loans; Wintrust Commercial Real Estate, which concentrates on real estate lending solutions including commercial mortgages and construction loans; and Wintrust Government, Non-Profit & Hospital, which focuses on financial solutions for mission-based organizations such as hospitals, non-profits, educational institutions and local government operations.

Specialty Finance

We conduct our specialty finance businesses through non-bank subsidiaries. Our wholly owned subsidiary, FIFC, engages in the premium finance receivables business, our most significant specialized lending niche, including commercial insurance premium finance and life insurance premium finance. We also engage in commercial insurance premium finance in Canada through our wholly owned subsidiary FIFC Canada.

In their commercial insurance premium finance operations, FIFC and FIFC Canada make loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. Approved medium and large insurance agents and brokers located throughout the United States and Canada assist FIFC and FIFC Canada, respectively, in arranging each commercial premium finance loan between the borrower and FIFC or FIFC Canada, as the case may be. FIFC or FIFC Canada evaluates each loan request according to its own underwriting criteria including the amount of the down payment on the insurance policy, the term of the loan, the credit quality of the insurance company providing the financed insurance policy, the interest rate, the borrower's previous payment history, if any, and other factors deemed appropriate. Upon approval of the loan by FIFC or FIFC Canada, as the case may be, the borrower makes a down payment on the financed insurance policy, which is generally done by providing payment to the agent or broker, who then forwards it to the insurance company. FIFC or FIFC Canada may either forward the financed amount of the remaining policy premiums directly to the insurance carrier or to the agent or broker for remittance to the insurance carrier on FIFC's or FIFC Canada's behalf. In some cases the agent or broker may hold our collateral, in the form of the proceeds of the unearned insurance premium from the insurance company, and forward it to FIFC or FIFC Canada in the event of a default by the borrower. This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because the agent or broker is the primary contact to the ultimate borrowers who are located nationwide and because proceeds and our collateral may be handled by the agent or brokers during the term of the loan, FIFC and FIFC Canada may be more susceptible to third party (i.e., agent or broker) fraud. The Company performs various controls and procedures including ongoing credit and other reviews of the agents and brokers as well as performs various internal audit steps to mitigate against the risk of any fraud.

The commercial and property premium finance business is subject to regulation in the majority of states. Regulation typically governs notices to borrowers prior to cancellation of a policy, notices to insurance companies, maximum interest rates and late fees and approval of loan documentation. FIFC is licensed or otherwise qualified to provide financing of commercial insurance policies in all 50 states, the District of Columbia and Puerto Rico, and FIFC’s compliance department regularly monitors changes to regulations and updates policies and programs accordingly.

FIFC also finances life insurance policy premiums generally used for estate planning purposes of high net-worth borrowers. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and legal counsel. The cash surrender value of the life insurance policy is the primary form of collateral. In addition, these loans often are secured with a letter of credit, marketable securities or certificates of deposit. In some cases, FIFC may make a loan that has a partially unsecured position.

The life insurance premium finance business is governed under banking regulations but is not subject to additional systemic regulation. FIFC's compliance department regularly monitors the regulatory environment and the company's compliance with existing regulations. FIFC maintains a policy prohibiting the knowing financing of stranger-originated life insurance and has established procedures to identify and prevent the company from financing such policies. While a carrier could potentially put at risk the cash surrender value of a policy, which serves as FIFC's primary collateral, by challenging the validity of the insurance contract for lack of an insurable interest, FIFC believes it has strong counterclaims against any such claims by carriers, in addition to recourse to borrowers and guarantors as well as to additional collateral in certain cases.

Premium finance loans made by FIFC and FIFC Canada are primarily secured by the insurance policies financed by the loans. These insurance policies are written by a large number of insurance companies geographically dispersed throughout the United States and Canada. Our premium finance receivables balances finance insurance policies that are spread among a large number of insurers, however one of the insurers represents approximately 14% of such balances and two additional insurers each represent approximately 5% of such balances. FIFC and FIFC Canada consistently monitor carrier ratings and financial performance of our carriers. In the event ratings fall below certain levels, most of FIFC's life insurance premium finance policies provide for an event of default and allow FIFC to have recourse to borrowers and guarantors as well as to additional collateral in certain cases. For the commercial premium finance business, the term of the loans is sufficiently short such that in the event of a decline in carrier ratings, FIFC or FIFC Canada, as the case may be, can restrict or eliminate additional loans to finance premiums to such carriers. The majority of premium finance receivables are purchased by the banks in order to more fully utilize their lending capacity as these loans generally provide the banks with higher yields than alternative investments.

Through our wholly owned subsidiary Tricom, we provide high-yielding, short-term accounts receivable financing and value-added, outsourced administrative services, such as data processing of payrolls, billing and cash management services to the temporary staffing industry. Tricom’s clients, located throughout the United States, provide staffing services to businesses in diversified industries. During 2015, Tricom processed payrolls with associated client billings of approximately $660 million and contributed approximately $10.6 million to our revenue, net of interest expense. Net revenue is based on our reportable segments and does not reflect intersegment eliminations.

In 2015, our commercial premium finance operations, life insurance premium finance operations and accounts receivable finance operations accounted for 58%, 33% and 9%, respectively, of the total revenues of our specialty finance business.

Wealth Management Activities

We offer a full range of wealth management services through three separate subsidiaries, trust and investment services, asset management and securities brokerage services. These subsidiaries are subject to regulation by the Securities and Exchange Commission (the "SEC") and the Financial Industry Regulatory Authority ("FINRA").

Great Lakes Advisors, our registered investment adviser with locations in downtown Chicago and Safety Harbor, Florida as well as in various banking offices of our fifteen banks, provides money management services and advisory services to individuals, institutions, and municipal and tax-exempt organizations. Great Lakes Advisors also provides

portfolio management and financial supervision for a wide range of pension and profit-sharing plans as well as money management and advisory services to CTC. At December 31, 2015, the Company's wealth management subsidiaries had approximately $21.2 billion of assets under administration, which includes $2.6 billion of assets owned by the Company and its subsidiary banks.
CTC, our trust subsidiary, offers trust and investment management services to clients through offices located in downtown Chicago and at various banking offices of our fifteen banks. CTC is subject to regulation, supervision and regular examination by the OCC.

WHI, our registered broker/dealer subsidiary which has been operating since 1931, provides a full range of private client and securities brokerage services to clients located primarily in the Midwest. WHI is headquartered in downtown Chicago, operates an office in Appleton, Wisconsin, and has established branch locations in offices at a majority of our banks. WHI also provides a full range of investment services to clients through a network of relationships with community-based financial institutions primarily located in Illinois.

Strategy and Competition

Historically, we have executed a growth strategy through branch openings and de novo bank formations, expansion of our wealth management and premium finance business, development of specialized earning asset niches and acquisitions of other community-oriented banks or specialty finance companies. After we made a decision to slow our growth from 2006 until 2008 due to unfavorable credit spreads, loosened underwriting standards by many of our competitors, and intense price competition, we raised capital and began to increase our lending and deposits in late 2008. From 2009 through 2012, this capital as well as additional capital raised during that period allowed us to be in a position to take advantage of opportunities in a disrupted marketplace by:

- Increasing our lending as other financial institutions pulled back;
- Hiring quality lenders and other staff away from larger and smaller institutions that may have substantially deviated from a customer-focused approach or who may have substantially limited the ability of their staff to provide credit or other services to their customers;
- Investing in dislocated assets such as the purchased life insurance premium finance portfolio, the Canadian commercial premium finance portfolio, trust and investment management companies and certain collateralized mortgage obligations; and
- Purchasing banks and banking assets either directly or through the FDIC-assisted process in areas key to our geographic expansion.

The Company has employed certain strategies since 2013 to manage net income amid an environment characterized by low interest rates and increased competition. In general, the Company has taken a steady and measured approach to grow strategically and manage expenses. Specifically, the Company has:

- Leveraged its internal loan pipeline and external growth opportunities to grow earnings assets to increase net interest income;
- Continued efforts to reduce interest costs by improving our funding mix;
- Written call option contracts on certain securities as an economic hedge to enhance the securities' overall return by using fees generated from these options and mitigate overall interest rate risk;
- Entered into mirror-image swap transactions to both satisfy customer preferences and maintain variable rate exposure;
- Purchased interest rate cap derivatives to offset margin compression caused by the repricing of variable rate liabilities and lack of repricing of fixed rate loans and securities in a potential rising rate environment;
- Completed strategic acquisitions to expand presence in existing and complimentary markets;
- Focused on cost control and leveraging our current infrastructure to grow without a commensurate increase in operating expenses;
- Expanded the Wintrust Commercial Finance direct leasing niche in 2015; and
- Further strengthened our capital position in 2015 and raised net proceeds of $120.8 million through the issuance and sale of non-cumulative perpetual preferred stock;

Our strategy and competitive position for each of our business segments is summarized in further detail, below.

Community Banking

We compete in the commercial banking industry through our banks in the communities they serve. The commercial banking industry is highly competitive and the banks face strong direct competition for deposits, loans and other financial related services. The banks compete with other commercial banks, thrifts, credit unions, stockbrokers, government-sponsored entities, mutual fund companies, insurance companies, factoring companies and other non-bank financial companies. Some of these competitors are local, while others are statewide or nationwide.

As a mid-size financial services company, we expect to benefit from greater access to financial and managerial resources than our smaller local competitors while maintaining our commitment to local decision-making and to our community banking philosophy. In particular, we are able to provide a wider product selection and larger credit facilities than many of our smaller competitors, and we believe our service offerings help us in recruiting talented staff. We continue to add lenders throughout the community banking organization, many of whom have joined us because of our ability to offer a range of products and level of services which compete effectively with both larger and smaller market participants. We have continued to expand our product delivery systems, including a wide variety of electronic banking options for our retail and commercial customers which allow us to provide a level of service typically associated with much larger banking institutions. Consequently, management views technology as a great equalizer to offset some of the inherent advantages of its significantly larger competitors. Additionally, we have access to public capital markets whereas many of our local competitors are privately held and may have limited capital-raising capabilities.

We also believe we are positioned to compete effectively with other larger and more diversified banks, bank holding companies and other financial services companies due to the multi-chartered approach that pushes accountability for building a franchise and a high level of customer service down to each of our banking franchises. Additionally, we believe that we provide a relatively complete portfolio of products that is responsive to the majority of our customers' needs through the retail and commercial operations supplied by our banks, and through our mortgage and wealth management operations. The breadth of our product mix allows us to compete effectively with our larger competitors, while our multi-chartered approach with local and accountable management provides for what we believe is superior customer service relative to our larger and more centralized competitors.

Wintrust Mortgage competes with large mortgage brokers as well as other banking organizations. Consolidation, on-going investor push-backs, enhanced regulatory guidance and the promise of equal oversight for both banks and independent lenders have created challenges for small and medium-sized independent mortgage lenders. Wintrust Mortgage's size, bank affiliation, regulatory competency, branding, technology, business development tools and reputation make the firm well positioned to compete in this environment. In 2013, we expanded our mortgage banking business through the acquisition of certain assets and liabilities of Surety Financial Services of Sherman Oaks, California. Additionally, in 2015, we have increased the amount of loans sold with servicing retained, including those loans sold to the Company's banks with servicing remaining within Wintrust Mortgage operations. While earnings will fluctuate with the rise and fall of long-term interest rates, we expect that mortgage banking revenue will be a continuous source of revenue for us and our mortgage lending relationships will continue to provide franchise value to our other financial service businesses.

In 2015, we furthered our growth strategy by purchasing, through certain of our banking subsidiaries, additional banking locations. We acquired four new banking locations in southern Wisconsin and sixteen new banking locations in the Chicago metropolitan area. In addition, the Company opened six new branch locations in the Chicago metropolitan area. However, the Company closed fourteen banking locations in 2015 as part of the integration of operations and the identification of under-performing locations. We believe that strategic acquisitions and branch expansion will allow us to grow into contiguous markets that we currently do not service and expand our footprint.

Specialty Finance

FIFC encounters intense competition from numerous other firms, including a number of national commercial premium finance companies, companies affiliated with insurance carriers, independent insurance brokers who offer premium finance services and other lending institutions. Some of its competitors are larger and have greater financial and other resources. FIFC competes with these entities by emphasizing a high level of knowledge of the insurance industry, flexibility in structuring financing transactions, and the timely funding of qualifying contracts. We believe that our commitment to service also distinguishes us from our competitors. Additionally, we believe that FIFC's acquisition of a large life insurance premium finance portfolio and related assets in 2009 enhanced our ability to market and sell life insurance premium finance products. FIFC Canada competes with one national commercial premium finance company and a few regional providers. In 2014, FIFC Canada expanded its operations through the acquisition of two affiliated Canadian insurance premium funding and payment services companies.

Tricom competes with numerous other firms, including a small number of similar niche finance companies and payroll processing firms, as well as various finance companies, banks and other lending institutions. Tricom's management believes that its commitment to service distinguishes it from competitors.

Wealth Management Activities

Our wealth management companies (CTC, WHI and Great Lakes Advisors) compete with larger wealth management subsidiaries of other larger bank holding companies as well as with other trust companies, brokerage and other financial service companies, stockbrokers and financial advisors. We believe we can successfully compete for trust, asset management and brokerage business by offering personalized attention and customer service to small to midsize businesses and affluent individuals. We continue to recruit and hire experienced professionals from the larger Chicago area wealth management companies, which is expected to help in attracting new customer relationships.

Supervision and Regulation

General

Our business is subject to extensive regulation and supervision under federal and state laws and regulations. The Company is a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHC Act"), subject to regulation, supervision, and examination by the Federal Reserve. Our subsidiary banks are subject to regulation, supervision, and examination by the agency that granted their banking charters: (1) the OCC for Barrington Bank, Crystal Lake Bank, Schaumburg Bank, Beverly Bank and Old Plank Trail Bank; (2) the Illinois Secretary for Lake Forest Bank, Hinsdale Bank, Wintrust Bank, Libertyville Bank, Northbrook Bank, Village Bank, Wheaton Bank, State Bank of the Lakes and St. Charles Bank; and (3) the Wisconsin Department for Town Bank. Our Illinois and Wisconsin state-chartered bank subsidiaries are also members of the Federal Reserve System, subject to supervision and regulation by the Federal Reserve as their primary federal regulator. The deposits of all of our subsidiary banks are insured by the Deposit Insurance Fund ("DIF") and, as such, the FDIC has additional oversight authority over the banks. The supervision, regulation and examination of banks and bank holding companies by bank regulatory agencies are intended primarily for the protection of depositors, the DIF, and the banking system as a whole, rather than shareholders of banks and bank holding companies, and in some instances may be contrary to their interests.

Our non-bank subsidiaries generally are subject to regulation by their functional regulators, including state finance and insurance agencies, the SEC, FINRA, the Chicago Stock Exchange, the OCC, as well as by the Federal Reserve. These federal and state laws, and the regulations of the bank regulatory agencies issued under them, affect, among other things, the scope of business, the kinds and amounts of investments banks may make, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, the ability to merge, consolidate and acquire, dealings with insiders and affiliates and the payment of dividends. The regulatory agencies generally have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies

The following is a description of some of the laws and regulations that currently affect our business. By necessity, the descriptions below are summaries that do not purport to be complete, and that are qualified in their entirety by reference to those statutes and regulations discussed, and all regulatory interpretations thereof. In recent years, lawmakers and regulators have increased their focus on the financial services industry. Additional changes in applicable laws, regulations, or the interpretations thereof are possible, and could have a material adverse effect on our business or the business of our subsidiaries.

Bank Holding Company Regulation

The Company is a bank holding company that has elected to be treated by the Federal Reserve as a financial holding company for purposes of the BHC Act. The activities of bank holding companies generally are limited to the business of banking, managing or controlling banks, and other activities determined by the Federal Reserve, by regulation or order prior to November 11, 1999, to be so closely related to banking as to be a proper incident thereto. Impermissible activities for bank holding companies and their subsidiaries include activities that are related to commerce, such as retail sales of nonfinancial products or manufacturing.

As a financial holding company, we may engage in an expanded range of activities, including securities and insurance activities conducted as agent or principal that are considered to be financial in nature. Moreover, financial holding companies may engage in activities incidental or complementary to financial activities, if the Federal Reserve determines that such activities pose no substantial risk to the safety or soundness of depository institutions or the financial system in general. Maintaining our financial holding company status requires that our subsidiary banks remain "well-capitalized" and "well-managed" as defined by regulation, and maintain at least a "satisfactory" rating under the Community Reinvestment Act ("CRA"). In addition, under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), we must also remain well-capitalized and well-managed to maintain our financial holding company status. If we or our subsidiary banks fail to continue to meet these requirements, we could be subject to restrictions on new activities and acquisitions, and/or be required to cease and possibly divest of operations that conduct existing activities that are not permissible for a bank holding company that is not a financial holding company.

The BHC Act generally requires us to obtain prior approval from the Federal Reserve before acquiring direct or indirect ownership or control of more than 5% of the voting shares of, or substantially all the assets of, a new bank, or to merge or consolidate with another bank holding company. As a result of the Dodd-Frank Act, the BHC Act also now requires us to be well-capitalized and well-managed, as opposed to merely adequately capitalized and adequately managed as was previously required, in order to acquire a bank located outside of our home state. Additionally, subject to certain exceptions, the BHC Act generally prohibits us from acquiring direct or indirect ownership or control of voting shares of any company engaged in activities that are not permissible for us to engage in.

The Federal Deposit Insurance Act (“FDIA”), as amended by the Dodd-Frank Act, and Federal Reserve regulations and policy require us to serve as a source of financial and managerial strength for our subsidiary banks, and to commit resources to support the banks. This support may be required even if doing so may adversely affect our ability to meet other obligations.

Acquisitions of Ownership
Acquisitions of the Company’s voting stock above certain thresholds may be subject to prior regulatory notice or approval under applicable federal and state banking laws. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that can be acquired without regulatory approval under the BHC Act, the Change in Bank Control Act, the Illinois Banking Act and Wisconsin banking laws.
Regulatory Reform
The Dodd-Frank Act strengthened the ability of the federal bank regulatory agencies to supervise and examine bank holding companies and their subsidiaries. The Dodd-Frank Act represents a sweeping reform of the United States supervisory and regulatory framework applicable to financial institutions and capital markets in the wake of the global financial crisis, certain aspects of which are described below in more detail. In particular, and among other things, the Dodd-Frank Act: created a Financial Stability Oversight Council as part of a regulatory structure for identifying emerging systemic risks and improving interagency cooperation; created the Consumer Financial Protection Bureau (“CFPB”), which is authorized to regulate providers of consumer credit, savings, payment and other consumer financial products and services; narrowed the scope of federal preemption of state consumer laws enjoyed by national banks and federal savings associations and expanded the authority of state attorneys general to bring actions to enforce federal consumer protection legislation; imposed more stringent capital requirements on bank holding companies and subjected certain activities, including interstate mergers and acquisitions, to heightened capital conditions; with respect to mortgage lending, (1) significantly expanded requirements applicable to loans secured by 1-4 family residential real property, (2) imposed strict rules on mortgage servicing, and (3) required the originator of a securitized loan, or the sponsor of a securitization, to retain at least 5% of the credit risk of securitized exposures unless the underlying exposures are qualified residential mortgages or meet certain underwriting standards; repealed the prohibition on the payment of interest on business checking accounts; restricted the interchange fees payable on debit card transactions for issuers with $10 billion in assets or greater; subject to numerous exceptions, prohibited depository institutions and affiliates from certain investments in, and sponsorship of, hedge funds and private equity funds and from engaging in proprietary trading; provided for enhanced regulation of advisers to private funds and of the derivatives markets; enhanced oversight of credit rating agencies; and prohibited banking agency requirements tied to credit ratings. These statutory changes shifted the regulatory framework for financial institutions, impacted the way in which they do business and have the potential to constrain revenues.
Numerous provisions of the Dodd-Frank Act are required to be implemented through rulemaking by the appropriate federal regulatory agencies. A majority of the required regulations have been issued and others have been released for public comment or released in final form. Furthermore, while the reforms primarily target systemically important financial service providers, their influence is expected to filter down in varying degrees to smaller institutions over time. We will continue to evaluate the effect of the Dodd-Frank Act changes; however, in many respects, the ultimate impact of the Dodd-Frank Act will not be fully known for years, and no current assurance may be given that the Dodd-Frank Act, or any other new legislative changes, will not have a negative impact on the results of operations and financial condition of the Company and its subsidiaries. For further discussion of the most recent developments under the Dodd-Frank Act, see Item 7 “Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview and Strategy - Financial Regulatory Reform.”
Volcker Rule
The Dodd-Frank Act added a new Section 13 to the BHC Act, known as the “Volcker Rule.” On December 10, 2013, five United States financial regulators, including the Federal Reserve, the FDIC and the OCC, adopted final rules implementing the Volcker Rule. The final rules prohibit banking entities from (1) engaging in short-term proprietary trading for their own accounts, and (2) having certain ownership interests in and relationships with hedge funds or private equity funds. Further, the final rules are intended to provide greater clarity with respect to both the extent of those primary prohibitions and of the related exemptions and exclusions. These rules also require each regulated entity to establish an internal compliance program that is consistent with the extent to which it engages in activities covered by the Volcker Rule, which must include (for the largest entities) making regular reports about those activities to regulators. Although the final rules provide some differences in compliance and reporting obligations based on size, the fundamental prohibitions of the Volcker Rule apply to banking entities of any size, including the Company and its

bank subsidiaries. These rules were effective April 1, 2014, but the conformance period was extended from its statutory end date of July 21, 2014 until July 21, 2015 for proprietary trading and until July 2016 to divest private equity and hedge funds. We expect this date to be extended again until July 2017, which will be the final extension allowable under the Dodd-Frank Act.

We have evaluated the implications of these rules on our investments and determined that some of the securities in our investment portfolio will be subject to the Volcker Rule and, absent any further amendments to the Volcker Rule, will have to be divested or converted. In one instance, the need to divest that security at a fixed near-term date caused us to record an other-than-temporary impairment of $3.3 million on that security in the fourth quarter of 2013. We do not believe that any other required divestitures or reporting requirements will have any material financial implications on the Company.

Capital Requirements

We are subject to various regulatory capital requirements both at the Company and at the subsidiary bank level. Failure to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action (described below), we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting policies. Our capital amounts and classification are also subject to judgments by the regulators regarding qualitative components, risk weightings, and other factors. We have consistently maintained regulatory capital ratios at or above the well-capitalized standards. These capital rules have undergone significant changes with the adoption by the federal banking agencies of final rules that implement Basel III requirements, which are discussed below.

The Basel Committee on Banking Supervision has drafted frameworks for the regulation of capital and liquidity of internationally active banking organizations, the most recent of which is generally referred to as “Basel III.” In July 2013, the federal banking agencies jointly issued final rules establishing a new comprehensive capital framework for U.S. banking organizations that would implement the Basel III capital framework and certain provisions of the Dodd-Frank Act. The final rules seek to strengthen the components of regulatory capital, increase risk-based capital requirements, and make selected changes to the calculation of risk-weighted assets. The final rules, among other things:

- revise minimum capital requirements and adjust prompt corrective action thresholds;
- revise the components of regulatory capital and create a new capital measure called “Tier 1 Common Equity,” which must constitute at least 4.5% of risk-weighted assets;
- specify that Tier 1 capital consists only of Tier 1 Common Equity and certain “Additional Tier 1 Capital” instruments meeting specified requirements;
- increase the minimum Tier 1 capital ratio requirement from 4% to 6%;
- retain the existing risk-based capital treatment for 1-4 family residential mortgage exposures;
- permit most banking organizations, including the Company, to retain, through a one-time permanent election, the existing capital treatment for accumulated other comprehensive income;
- implement a new capital conservation buffer of common equity Tier 1 capital equal to 2.5% of risk-weighted assets, which will be in addition to the 4.5% common equity Tier 1 capital ratio and be phased in over a three-year period beginning January 1, 2016, which buffer is generally required to make capital distributions and pay executive bonuses;
- increase capital requirements for past-due loans, high volatility commercial real estate exposures, and certain short-term loan commitments;
- require the deduction of mortgage servicing assets and deferred tax assets that exceed 10% of common equity Tier 1 capital in each category and 15% of common equity Tier 1 capital in the aggregate; and
- remove references to credit ratings consistent with the Dodd-Frank Act and establish due diligence requirements for securitization exposures.

Under the final rules, compliance by the Company was required by January 1, 2015, subject to a transition period for several aspects of the final rules, including the new minimum capital ratio requirements, the capital conservation buffer, and the regulatory capital adjustments and deductions. Requirements to maintain higher levels of capital could adversely impact our return on equity. We believe that we will continue to exceed all estimated well-capitalized regulatory requirements on a fully phased-in basis.

Under capital rules in effect for the year ended December 31, 2015, as a bank holding company, we were required to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 6.0% must be in the form of Tier 1 capital (generally common equity, retained earnings and a limited amount of qualifying preferred stock, less goodwill and certain core deposit intangibles). The remainder may consist of Tier 2 capital, which, subject to certain conditions and limitations, consists of: the allowance for credit losses; perpetual preferred stock and related surplus; hybrid capital instruments; unrealized holding gains on marketable equity securities; perpetual debt and mandatory convertible debt securities; term subordinated debt and intermediate-term preferred stock. The Federal Reserve has stated that Tier 1 voting common equity should be the predominant form of capital. In addition, the Federal Reserve requires a minimum leverage ratio of Tier 1 capital to total assets of 3.0% for the most highly-rated bank holding companies, and 4% for all other bank holding companies. Our bank regulatory agencies uniformly encourage banks and bank holding companies to be "well-capitalized," which, for the year ended December 31, 2015, required: a leverage ratio of Tier 1 capital to total assets of 5% or greater, a ratio of Tier 1 capital to total risk-weighted assets of 8% or greater, a ratio of common equity Tier 1 capital to total risk-weighted assets of 6.5%, and a ratio of total capital to total risk-weighted assets of 10% or greater. As of December 31, 2015, the Company's total capital to risk-weighted assets ratio was 12.2%, its Tier 1 capital to risk-weighted asset ratio was 10.0%, its common equity Tier 1 capital to risk-weighted assets ratio was 8.4%, and its Tier 1 leverage ratio was 9.1%.

Failure to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action (described below), we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities, and certain off-balance sheet items, as calculated under regulatory accounting policies. Our capital amounts and classification are also subject to judgments by the regulators regarding qualitative components, risk weightings, and other factors.

For more information, see Item 7 “Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview and Strategy - Financial Regulatory Reform.”

Liquidity Requirements

Historically, regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, without required formulaic measures. However, the Basel III liquidity framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that are similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes. One such test, referred to as the Liquidity Coverage Ratio (“LCR”), is designed to ensure that the banking entity has an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet liquidity needs for a 30-calendar day liquidity stress scenario. Another test, known as the Net Stable Funding Ratio (“NSFR”), is designed to promote more medium- and long-term funding of the assets and activities of financial institutions over a one-year horizon. These measures provide an incentive for banks and holding companies to increase their holdings in Treasury securities and other sovereign debt as a component of assets, increase the use of long-term debt as a funding source and rely on stable funding like core deposits (in lieu of brokered deposits).

The U.S. bank regulatory agencies implemented the LCR in September 2014, which requires large financial firms to hold levels of liquid assets sufficient to protect against constraints on their funding during times of financial turmoil. While the LCR only applies to the largest banking organizations in the country, certain elements are expected to filter down to all insured depository institutions, and we are reviewing our liquidity risk management policies in light of the LCR and NSFR regulations.

Capital Planning and Stress Testing Requirements

On October 12, 2012, the Federal Reserve published two final rules implementing the company-run stress test requirements mandated by the Dodd-Frank Act: one for U.S. bank holding companies with total consolidated assets of $10 billion to $50 billion, and one for U.S. bank holding companies with total consolidated assets of $50 billion or more. In 2014 and 2013, under the rule applicable to the Company, which became effective November 15, 2012, we were required to conduct annual company-run stress tests using data as of September 30th of each year and different scenarios provided by the Federal Reserve. Submissions were due to the Federal Reserve no later than March 31st of each following year. Each subsequent year, we have been required to use data as of December 31st with submissions due to the Federal Reserve no later than July 31st of each following year. For further discussion of capital planning and stress testing requirements, see Item 7 “Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview and Strategy - Financial Regulatory Reform.”

Payment of Dividends and Share Repurchases

We are a legal entity separate and distinct from our banking and non-banking subsidiaries. Since our consolidated net income consists largely of net income of our bank and non-bank subsidiaries, our ability to pay dividends depends largely upon our receipt of dividends from our subsidiaries. There are various federal and state law limitations on the extent to which our banking subsidiaries can declare and pay dividends to us, including minimum regulatory capital requirements, federal and state banking law requirements concerning the payment of dividends out of net profits or surplus, and general regulatory oversight to prevent unsafe or unsound practices. No assurances can be given that the banks will, in any circumstances, pay dividends to the Company.

In general, applicable federal and state banking laws prohibit, without prior regulatory approval, insured depository institutions, such as our bank subsidiaries, from making dividend distributions if such distributions are not paid out of available earnings, or would cause the institution to fail to meet applicable minimum capital requirements. In addition, our right, and the right of our shareholders and creditors, to participate in any distribution of the assets or earnings of our bank and non-bank subsidiaries is further subject to the prior claims of creditors of our subsidiaries.
Our ability to declare and pay dividends to our shareholders is similarly limited by federal banking law and Federal Reserve regulations and policy. Federal Reserve policy provides that a bank holding company should not pay dividends unless (1) the bank holding company's net income over the last four quarters (net of dividends paid) is sufficient to fully fund the dividends,

(2) the prospective rate of earnings retention appears consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries and (3) the bank holding company will continue to meet minimum required capital adequacy ratios. The policy also provides that a bank holding company should inform the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the bank holding company's capital structure. Bank holding companies also are required to consult with the Federal Reserve before increasing dividends or redeeming or repurchasing capital instruments. Additionally, the Federal Reserve could prohibit or limit the payment of dividends by a bank holding company if it determines that payment of the dividend would constitute an unsafe or unsound practice.

In addition, under the Basel III Rule, institutions that seek the freedom to pay dividends will have to maintain 2.5% of risk-weighted assets in Common Equity Tier 1 attributable to the capital conservation buffer to be phased in over three years beginning in 2016. For more information on the capital conservation buffer, see Item 7 “Management's Discussion and Analysis of Financial Condition and Results of Operations - Overview and Strategy - Financial Regulatory Reform.”

FDICIA and Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”), among other things, requires the federal bank regulatory agencies to take “prompt corrective action” regarding FDIC-insured depository institutions that do not meet minimum capital requirements. Depository institutions are placed into one of five capital tiers: “well-capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized” and “critically undercapitalized.” An institution that fails to remain well-capitalized will be subject to a series of restrictions that increase as its capital condition worsens. For example, institutions that are less than well-capitalized are barred from soliciting, taking or rolling over brokered deposits. FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) if the depository institution would be undercapitalized thereafter. Undercapitalized depository institutions are subject to growth limitations and must submit a capital restoration plan, which must be guaranteed by the institution's holding company. In addition, an undercapitalized institution is subject to increased monitoring and asset growth restrictions and is subject to greater regulatory approval requirements. The FDICIA also provides for enhanced supervisory authority over undercapitalized institutions, including authority for the appointment of a conservator or receiver for the institution. Guidance from the federal banking agencies also indicates that a holding company may be required to provide assurances that a subsidiary bank will comply with any requirements imposed on it under prompt corrective action.

As a result of the Dodd-Frank Act, bank holding companies will be subject to an “early remediation” regime that is substantially similar to the prompt corrective action regime applicable to banks. The remedial actions also increase as the condition of the holding company deteriorates, although the proposed holding company regime would use several forward-looking triggers to identify when a holding company is in troubled condition, beyond just the capital ratios used under the prompt corrective action regime.

As of December 31, 2015 and 2014, each of the Company's banks was categorized as “well-capitalized.” In order to maintain the Company's designation as a financial holding company, the Company and each of the banks is required to maintain capital ratios at or above the “well-capitalized” levels. Management is committed to maintaining the Company's capital levels above the “well-capitalized” levels established by the Federal Reserve for bank holding companies.

Enforcement Authority

The federal bank regulatory agencies have broad authority to issue orders to depository institutions and their holding companies prohibiting activities that constitute violations of law, rule, regulation, or administrative order, or that represent unsafe or unsound banking practices, as determined by the federal banking agencies. The federal banking agencies also are empowered to require affirmative actions to correct any violation or practice; issue administrative orders that can be judicially enforced; direct increases in capital; limit dividends and distributions; restrict growth; assess civil money penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the agencies; order termination of certain activities of holding companies or their non-bank subsidiaries; remove officers and directors; order divestiture of ownership or control of a non-banking subsidiary by a holding company; or terminate deposit insurance and appoint a conservator or receiver.

FDIA and Safety and Soundness

The FDIA imposes various requirements on insured depository institutions, including our subsidiary banks. Among other things, the FDIA includes requirements applicable to the closure of branches; merger or consolidation by or with another insured bank; additional disclosures to depositors with respect to terms and interest rates applicable to deposit accounts; uniform regulations for extensions of credit secured by real estate; restrictions on activities of and investments by state-chartered banks; and increased reporting requirements on agricultural loans and loans to small businesses. Under the “cross-guarantee” provision of the FDIA, insured depository institutions such as the subsidiary banks may be liable to the FDIC for any losses incurred, or reasonably expected to be incurred, by the FDIC resulting from the default of, or FDIC assistance to, any other commonly controlled insured depository institution. All of our subsidiary banks are commonly controlled within the meaning of the cross-guarantee provision.

The FDIA also requires the federal bank regulatory agencies to prescribe standards of safety and soundness, by regulations or guidelines, relating generally to operations and management, asset growth, asset quality, earnings, stock valuation and compensation. The federal bank regulatory agencies have adopted a set of guidelines prescribing safety and soundness standards pursuant to the FDIA. The guidelines establish general standards relating to internal controls and information systems, informational security, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. The guidelines prohibit excessive compensation as an unsafe and unsound practice, and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder.

During the past decade, properly managing risks has been identified as critical to the conduct of safe and sound banking activities and has become even more important as new technologies, product innovation, and the size and speed of financial transactions have changed the nature of banking markets. The agencies have identified a spectrum of risks facing banking institutions including, but not limited to, credit, market, liquidity, operational, legal, and reputational risk. In particular, recent regulatory pronouncements have focused on operational risk, which arises from the potential that inadequate information systems, operational problems, breaches in internal controls, fraud, or unforeseen catastrophes will result in unexpected losses. New products and services, third-party risk management and cybersecurity are critical sources of operational risk that financial institutions are expected to address in the current environment. The subsidiary banks are expected to have active board and senior management oversight; adequate policies, procedures, and limits; adequate risk measurement, monitoring, and management information systems; and comprehensive and effective internal controls.

Risk Committee Requirement

On March 27, 2014, the Federal Reserve published final rules to implement certain "enhanced prudential standards" mandated by the Dodd-Frank Act. Many of these enhanced prudential standards apply only to bank holding companies and foreign banking organizations with total consolidated assets of $50 billion or more, and do not apply to the Company. However, the Federal Reserve's enhanced prudential standards require that, beginning in 2015, publicly traded bank holding companies with total consolidated assets of greater than $10 billion and less than $50 billion must establish and maintain risk committees for their boards of directors to oversee the bank holding companies' risk management frameworks. Our Board has had a separate risk committee since 1998; we believe that our risk committee and corresponding risk management framework is in compliance with all applicable requirements.

Insurance of Deposit Accounts

The deposits of each of our subsidiary banks are insured by the DIF up to the standard maximum deposit insurance amount of $250,000 per depositor. Each of our subsidiary banks is subject to deposit insurance assessments based on the risk it poses to the DIF, as determined by the capital category and supervisory category to which it is assigned. The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve statutorily required reserve ratios in the DIF and to impose special additional assessments. In light of the significant increase in depository institution failures in 2008-2010 and the increase of deposit insurance limits, the DIF incurred substantial losses during recent years. To bolster reserves in the DIF, the Dodd-Frank Act increased the minimum reserve ratio of the DIF to 1.35% of insured deposits and deleted the statutory cap for the reserve ratio. In December 2010, the FDIC set the designated reserve ratio at 2%, 65 basis points above the statutory minimum. In April 2011, the FDIC implemented changes required by the Dodd-Frank Act to revise the definition of the assessment base for calculating deposit insurance premiums from the amount of insured deposits held by an institution to the institution's average total consolidated assets less average tangible equity. The FDIC also changed the assessment rates, providing that they will initially range from 2.5 basis points to 45 basis points. The FDIC has indicated that these changes generally will not require an increase in the level of assessments for depository institutions with less than $10 billion in assets, such as each of our bank subsidiaries, and may result in decreased assessments for such institutions. However, there is a risk that the banks' deposit insurance premiums will again increase if failures of insured depository institutions continue to deplete the DIF.

In addition, the Deposit Insurance Fund Act of 1996 authorizes the Financing Corporation ("FICO") to impose assessments on DIF assessable deposits in order to service the interest on FICO's bond obligations. The FICO assessment rate is adjusted quarterly and for the fourth quarter of 2015 was approximately 0.600 basis points (60 cents per $10,000 of assessable deposits).

Limits on Loans to One Borrower and Loans to Insiders

Federal and state banking laws impose limits on the amount of credit a bank can extend to any one person (or group of related persons). The Dodd-Frank Act expanded the scope of these restrictions for national banks under federal law to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions. Provisions of the Dodd-Frank Act also amended the FDIA to prohibit state-chartered banks (including certain of our banking subsidiaries) from engaging in derivative transactions unless the state lending limit laws take into account credit exposure to such transactions.

Applicable banking laws and regulations also place restrictions on loans by FDIC-insured banks and their affiliates to their directors, executive officers and principal shareholders.

Additional Provisions Regarding Deposit Accounts

The Dodd-Frank Act eliminated prohibitions under federal law against the payment of interest on demand deposits, thus allowing businesses to have interest-bearing checking accounts. Depending upon the market response, this change could have an adverse impact on our interest expense.

Federal Reserve regulations require depository institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). For 2016, the first $15.2 million of otherwise reservable balances are exempt from the reserve requirements; for transaction accounts aggregating more than $15.2 million to $110.2 million, the reserve requirement is 3% of total transaction accounts; and for net transaction accounts in excess of $110.2 million, the reserve requirement is 10% of the aggregate amount of total transaction accounts in excess of $110.2 million. These reserve requirements are subject to annual adjustment by the Federal Reserve. Our banks are in compliance with the foregoing requirements.

De Novo Branching

The Dodd-Frank Act amended the FDIA and the National Bank Act to allow national banks and state banks, with the approval of their regulators, to establish de novo branches in states other than the bank's home state as if such state was the bank's home state.

In 2009, the FDIC adopted enhanced supervisory procedures for de novo banks, which extended the special supervisory period for such banks from three to seven years. Throughout the de novo period, newly chartered banks will be subject to higher capital requirements, more frequent examinations and other requirements.

Anti-Tying Provisions

Under the anti-tying provisions of the BHC Act, among other things, each of our subsidiary banks is prohibited from conditioning the availability of any product or service, or varying the price for any product or service, on the requirement that the customer obtain some additional product or service from the bank or any of its affiliates, other than loans, deposits and trust services.

Transactions with Affiliates

Certain “covered” transactions between a bank and its holding company or other non-bank affiliates are subject to various restrictions imposed by state and federal law and regulation. Such “covered transactions” include loans and other extensions of credit by the bank to the affiliate, investments in securities issued by the affiliate, purchases of assets from the affiliate, payments of fees or other distributions to the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of the affiliate. In general, these affiliate transaction rules limit the amount of covered transactions between an institution and a single affiliate, as well as the aggregate amount of covered transactions between an institution and all of its affiliates. In addition, covered transactions that are credit transactions must be secured by acceptable collateral, and all covered transactions must be on terms that are at least as favorable to the institution as then-prevailing in the market for comparable transactions with unaffiliated entities. Transactions between affiliated banks may be subject to certain exemptions under applicable federal law.

Community Reinvestment Act

Under the CRA, a financial institution has a continuing and affirmative obligation, consistent with the safe and sound operation of such institution, to help meet the credit needs of its entire community, including low and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. However, institutions are rated on their performance in meeting the needs of their communities. The CRA requires each federal banking agency to take an institution's CRA record into account when evaluating certain applications by the institution, including applications for charters, branches and other deposit facilities, relocations, mergers, consolidations, acquisitions of assets or assumptions of liabilities, and bank and savings association acquisitions. An unsatisfactory record of performance may be the basis for denying or conditioning approval of an application by a financial institution or its holding company. The CRA also requires that all institutions publicly disclose their CRA ratings. Each of our subsidiary banks received a “satisfactory” or better rating from the Federal Reserve or the OCC on their most recent CRA performance evaluations.

Compliance with Consumer Protection Laws

Our banks and some other operating subsidiaries are also subject to many federal consumer protection statutes and regulations, including the Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Electronic Fund Transfer Act, the Consumer Financial Protection Act, the Federal Trade Commission Act and analogous state statutes, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Servicemembers Civil Relief Act and the Home Mortgage Disclosure Act. Wintrust Mortgage must also comply with many of these consumer protection statutes and regulations. Violation of these statutes can lead to significant potential liability for damages and penalties, in litigation by consumers as well as enforcement actions by regulators. Some of the key requirements of these laws:

- require specific disclosures of the terms of credit, and regulate underwriting and other practices for mortgage loans and other types of credit;
- require specific disclosures about deposit account terms, and the electronic transfers that can be made to or from accounts at the banks;
- provide limited consumer liability for unauthorized transactions;
- prohibit discrimination against an applicant in any consumer or business credit transaction;
- require notifications about the approval or decline of credit applications, the reasons for a decline, and the credit scores used to make credit decisions;
- prohibit unfair, deceptive or abusive acts or practices;
- require mortgage lenders to collect and report applicant and borrower data regarding loans for home purchases or improvement projects;
- require lenders to provide borrowers with information regarding the nature and cost of real estate settlements;
- forbid the payment of referral fees for any settlement service as part of a real estate transaction;
- prohibit certain lending practices and limit escrow amounts with respect to real estate transactions;
- provide interest rate reductions and other protections for servicemembers called to active duty; and
- prescribe possible penalties for violations of the requirements of consumer protection statutes and regulations.

During the past several years, Congress has amended these laws and federal regulators have proposed and finalized a number of significant amendments to the regulations implementing these laws. Among other things, the Federal Reserve, the FDIC and the OCC have adopted new rules applicable to the banks (and in some cases, Wintrust Mortgage) that govern consumer credit practices and disclosures, as well as rules that govern overdraft practices and disclosures. These rules may affect the profitability of our consumer banking activities.

As described above, the Dodd-Frank Act established the CFPB. The law transferred to the CFPB existing regulatory authority with respect to many of these consumer related regulations, and gave the CFPB new authority under the Consumer Financial Protection Act. In July 2011, many of the consumer financial protection functions previously assigned to other federal agencies shifted to the CFPB. The CFPB now has broad rulemaking authority over a wide range of consumer protection laws that apply to banks and other providers of financial products and services, including the authority to prohibit “unfair, deceptive or abusive practices,” to ensure that all consumers have access to markets for consumer financial products and services, and to ensure that such markets are fair, transparent and competitive. The Dodd-Frank Act also required the CFPB to adopt a number of new specific regulatory requirements. These new rules may increase the costs of engaging in these activities for all market participants, including our subsidiaries. In addition to the CFPB, other federal and state regulators have issued, and may in the future issue, regulations and guidance affecting aspects of our business. The developments may impose additional burdens on us and our subsidiaries. The CFPB has broad supervisory, examination and enforcement authority. Although we and our subsidiary banks are not subject to CFPB examination, the actions taken by the CFPB, including from its rulemaking authority, may influence enforcement actions and positions taken by other federal and state regulators, including those with jurisdiction over us and our subsidiaries. Finally, the Dodd-Frank Act authorizes state attorneys general and other state officials to enforce consumer protection rules issued by the CFPB.

Mortgage Related Rule Changes Generally

The Dodd-Frank Act amended the Truth in Lending Act and the Real Estate Settlement Procedures Act to impose a number of new requirements regarding the origination and servicing of residential mortgage loans. These amendments created a variety of new consumer protections. First, it significantly expands underwriting requirements applicable to loans secured by 1-4 family residential real property and augments federal law combating predatory lending practices. In addition to numerous new disclosure requirements, the Dodd-Frank Act imposes new standards for mortgage loan originations on all lenders, including banks and savings associations, in an effort to strongly encourage lenders to verify a borrower's ability to repay, while also establishing a presumption of compliance for certain "qualified mortgages." In addition, the Dodd-Frank Act generally requires lenders or securitizers to retain an economic interest in the credit risk relating to loans that the lender sells, and other asset-backed securities that the securitizer issues, if the loans have not complied with the ability-to-repay standards. The risk retention requirement generally will be 5%, but could be increased or decreased by regulation.

Ability to Repay Rule

On January 10, 2013, the CFPB issued a final rule implementing the Dodd-Frank Act's ability-to-repay requirements. Under the final rule, lenders, in assessing a borrower's ability to repay a mortgage-related obligation, must consider eight underwriting factors: (1) current or reasonably expected income or assets; (2) current employment status; (3) monthly payment on the subject transaction; (4) monthly payment on any simultaneous loan; (5) monthly payment for all mortgage-related obligations; (6) current debt obligations, alimony, and child support; (7) monthly debt-to-income ratio or residual income; and (8) credit history. The final rule also includes guidance regarding the application of, and methodology for evaluating, these factors.

Further, the final rule clarified that qualified mortgages do not include "no-doc" loans and loans with negative amortization, interest-only payments, balloon payments, terms in excess of 30 years, or points and fees paid by the borrower that exceed 3% of the loan amount, subject to certain exceptions. In addition, for qualified mortgages, the rule mandated that the monthly payment be calculated on the highest payment that will occur in the first five years of the loan, and required that the borrower's total debt-to-income ratio generally may not be more than 43%. The final rule also provided that certain mortgages that satisfy the general product feature requirements for qualified mortgages and that also satisfy the underwriting requirements of Fannie Mae and Freddie Mac (while they operate under federal conservatorship or receivership), or the U.S. Department of Housing and Urban Development, Department of Veterans Affairs, or Department of Agriculture or Rural Housing Service, are also considered to be qualified mortgages. This second category of qualified mortgages will phase out as the aforementioned federal agencies issue their own rules regarding qualified mortgages, the conservatorship of Fannie Mae and Freddie Mac ends, and, in any event, after seven years.

As set forth in the Dodd-Frank Act, subprime (or higher-priced) mortgage loans are subject to the ability-to-repay requirement, and the final rule provided for a rebuttable presumption of lender compliance for those loans. The final rule also applied the ability-to-repay requirement to prime loans, while also providing a conclusive presumption of compliance (i.e., a safe harbor) for prime loans that are also qualified mortgages. Additionally, the final rule generally prohibited prepayment penalties (subject to certain exceptions) and set forth a 3-year record retention period with respect to documenting and demonstrating the ability-to-repay requirement and other provisions.

Changes to Mortgage Loan Originator Compensation

Previously existing regulations concerning the compensation of mortgage loan originators have been amended. As a result of these amendments, mortgage loan originators may not receive compensation based on a mortgage transaction's terms or conditions other than the amount of credit extended under the mortgage loan. Further, the new standards limit the total points and fees that a bank and/or a broker may charge on conforming and jumbo loans to 3% of the total loan amount. Mortgage loan originators may receive compensation from a consumer or from a lender, but not both. These rules contain requirements designed to prohibit mortgage loan originators from "steering" consumers to loans that provide mortgage loan originators with greater compensation. In addition, the rules contain other requirements concerning recordkeeping.

Mortgage Loan Servicing

On January 17, 2013, the CFPB announced rules to implement certain provisions of the Dodd-Frank Act relating to mortgage servicing. The new servicing rules require servicers to meet certain benchmarks for loan servicing and customer service in general. Servicers must provide periodic billing statements and certain required notices and acknowledgments, promptly credit borrowers' accounts for payments received and promptly investigate complaints by borrowers and are required to take additional steps before purchasing insurance to protect the lender's interest in the property. The new servicing rules also call for additional notice, review and timing requirements with respect to delinquent borrowers. The new servicing rules took effect on January 10, 2014.

In order to ensure compliance with the Dodd-Frank Act mortgage-related rules the Company consolidated its consumer mortgage loan origination and loan servicing operations within Wintrust Mortgage. All consumer mortgage applications are taken through Wintrust Mortgage which has extensively trained loan originators located at each of our branches. While in certain limited cases our banks may offer specialized consumer mortgages to our customers, we expect that on a going forward basis, consumer mortgages for all of our banks will be originated and closed by Wintrust Mortgage. Wintrust Mortgage then sells loans to third parties or to our banks. To the extent that we retain consumer mortgage loans in our bank portfolios, our banks have engaged Wintrust Mortgage to provide loan servicing. We believe that by centralizing loan origination and servicing operations we will not only meet the new compliance requirements, but reduce costs associated with such compliance.

TILA-RESPA Integrated Disclosure

On December 31, 2013, the CFPB published final rules and forms that combine certain disclosures that consumers receive in connection with applying for and closing on a mortgage loan under the Truth in Lending Act and the Real Estate Settlement Procedures Act. The two new forms developed by the CFPB are the Loan Estimate and the Closing Disclosure. The Loan Estimate replaces the Good Faith Estimate ("GFE") and the Early Truth in Lending Disclosure ("TIL") and adds additional disclosure language as required by the Dodd-Frank Act. The creditor must give the form to the consumer no later than three business days after the consumer applies for a mortgage loan. Consistent with current law, the creditor generally cannot charge the consumer any fees until after the consumer has been given the Loan Estimate form and the consumer has communicated intent to proceed with the transaction. Creditors may provide consumers with written estimates prior to application so long as there is a disclaimer to prevent confusion with the Loan Estimate form. The second disclosure, the Closing Disclosure form, replaces the HUD-1 and the Final TIL and adds additional disclosure language as required by Dodd Frank. The creditor must give the form to the consumer at least three business days before the consumer closes the loan. The rule became effective October 3, 2015. Wintrust Mortgage and the charter banks are both impacted by the rule, and have implemented procedures to comply with this regulation.

Expansion of the Home Mortgage Disclosure Act

The CFPB has published a lengthy amendment related to the reporting requirements under the Home Mortgage Disclosure Act. The CFPB claims the proposed rule aims to: 1) improve market information, data access, and the electronic reporting process; 2) monitor access to credit; 3) standardize the reporting threshold; 4) ease reporting requirements for some small banks; and 5) align reporting requirements with industry data standards. The proposed rule requires several new items of data be collected and reported to the FFIEC during annual reporting. A majority of the provisions of the rule become effective January 1, 2018. We expect to be fully compliant at that time.

Federal Preemption

The Dodd-Frank Act also amended the laws governing federal preemption of state laws as applied to national banks, and eliminated federal preemption for subsidiaries of national banks. These changes may subject the Company's national banks and their divisions, including Wintrust Mortgage, to additional state regulation and enforcement.

Debit Interchange

The Dodd-Frank Act added a new statutory requirement that interchange fees for electronic debit transactions that are paid to or charged by payment card issuers (including our bank subsidiaries) be reasonable and proportional to the cost incurred by the issuer. The Dodd-Frank Act also gave the Federal Reserve the authority to establish rules regarding these interchange fees. The Federal Reserve issued final regulations that were effective in October 2011, and that limit interchange fees for electronic debit transactions to 21 cents plus .05% of the transaction, plus an additional one cent per transaction fraud adjustment. The rule also imposes requirements regarding routing and exclusivity of electronic debit transactions, and generally requires that debit cards be usable in at least two unaffiliated networks.

Anti-Money Laundering Programs

The Bank Secrecy Act (“BSA”) and USA PATRIOT Act of 2001 contain anti-money laundering (“AML”) and financial transparency provisions intended to detect, and prevent the use of the U.S. financial system for, money laundering and terrorist financing activities. The BSA, as amended by the USA PATRIOT Act, requires depository institutions and their holding companies to undertake activities including maintaining an AML program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. Each of our subsidiary banks is subject to the BSA and, therefore, is required to provide its employees with AML training, designate an AML compliance officer and undergo an annual, independent audit to assess the effectiveness of its AML program. We have implemented policies, procedures and internal controls that are designed to comply with these AML requirements. In 2014, the Financial Crimes Enforcement Network (“FinCEN”), which is a unit of the

Treasury Department that drafts regulations implementing the USA PATRIOT Act and other AML and BSA legislation, proposed a rule that would contain explicit customer due diligence requirements and impose a new regulatory requirement on financial institutions to obtain beneficial ownership information with respect to all legal entity customers with which such institutions conduct business. The scope and compliance requirements of such a rule have yet to be finalized. Bank regulators are focusing their examinations on anti-money laundering compliance, and we will continue to monitor and augment, where necessary, our AML compliance programs.

Office of Foreign Assets Control Regulation

The U.S. Department of the Treasury's Office of Foreign Assets Control, or "OFAC," is responsible for administering economic sanctions that affect transactions with designated foreign countries, nationals and others, as defined by various Executive Orders and Acts of Congress. OFAC-administered sanctions take many different forms. For example, sanctions may include: (1) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to, making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (2) a blocking of assets in which the government or "specially designated nationals" of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). OFAC also publishes lists of persons, organizations, and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Protection of Client Information

Legal requirements concerning the use and protection of client information affect many aspects of the Company's business, and are continuing to evolve. Current legal requirements include the privacy and information safeguarding provisions of the GLB Act, the Fair Credit Reporting Act (“FCRA”) and the amendments adopted by the Fair and Accurate Credit Transactions Act of 2003 (the “FACT Act”), as well as state law requirements. The GLB Act requires a financial institution to disclose its privacy policy to certain customers, and requires the financial institution to allow those customers to opt-out of some sharing of the customers' nonpublic personal information with nonaffiliated third persons. In accordance with these requirements, we and each of our banks and operating subsidiaries provide a written privacy to each affected customer when the customer relationship begins and an annual basis. As described in the privacy notice, we protect the security of information about our customers, educate our employees about the importance of protecting customer privacy, and allow affected customers to opt out of certain types of information sharing. We and our subsidiaries also require business partners with which we share information to have adequate security safeguards and to follow the requirements of the GLB Act. The GLB Act, as interpreted by the federal banking regulators, and state laws require us to take certain actions, including possible notice to affected customers, in the event that sensitive customer information is comprised. We and/or each of the banks and operating subsidiaries may need to amend our privacy policies and adapt our internal procedures in the event that these legal requirements, or the regulators' interpretation of them, change, or if new requirements are added.

Like other lenders, the banks and several of our operating subsidiaries utilize credit bureau data in their underwriting activities. Use of such data is regulated under the FCRA, and the FCRA also regulates reporting information to credit bureaus, prescreening individuals for credit offers, sharing of information between affiliates, and using affiliate data for marketing purposes. Similar state laws may impose additional requirements on us, the banks and our operating subsidiaries.

Violation of these legal requirements may expose us to regulatory action and private litigation, including claims for damages and penalties. In addition, a security incident can cause substantial reputational harm.

Broker-Dealer and Investment Adviser Regulation

WHI and Great Lakes Advisors are subject to extensive regulation under federal and state securities laws. WHI is registered as a broker-dealer with the SEC and in all 50 states, the District of Columbia and the U.S. Virgin Islands. Both WHI and Great Lakes Advisors are registered as investment advisers with the SEC. In addition, WHI is a member of several self-regulatory organizations (“SROs”), including FINRA and the Chicago Stock Exchange. Although WHI is required to be registered with the SEC, much of its regulation has been delegated to SROs that the SEC oversees, including FINRA and the national securities exchanges. In addition to SEC rules and regulations, the SROs adopt rules, subject to approval of the SEC, that govern all aspects of business in the securities industry and conduct periodic examinations of member firms. WHI is also subject to regulation by state securities commissions in states in which it conducts business. WHI and Great Lakes Advisors are registered only with the SEC as investment advisers, but certain of their advisory personnel are subject to regulation by state securities regulatory agencies.

As a result of federal and state registrations and SRO memberships, WHI is subject to overlapping schemes of regulation that cover all aspects of its securities businesses. Such regulations cover, among other things, uses and safekeeping of clients' funds; record-keeping and reporting requirements; supervisory and organizational procedures intended to assure compliance with securities laws and to prevent improper trading on material nonpublic information; personnel-related matters, including qualification and licensing of supervisory and sales personnel; limitations on extensions of credit in securities transactions; clearance and settlement procedures; “suitability” determinations as to certain customer transactions; limitations on the amounts and types of fees and commissions that may be charged to customers; and regulation of proprietary trading activities and affiliate transactions.

Violations of the laws and regulations governing a broker-dealer's actions can result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of a broker-dealer or its officers or employees, or other similar actions by both federal and state securities administrators, as well as the SROs.

As a registered broker-dealer, WHI is subject to the SEC's net capital rule as well as the net capital requirements of the SROs of which it is a member. Net capital rules, which specify minimum capital requirements, are generally designed to measure general financial integrity and liquidity and require that at least a minimum amount of net assets be kept in relatively liquid form. Rules of FINRA and other SROs also impose limitations and requirements on the transfer of member organizations' assets. Compliance with net capital requirements may limit the Company's operations requiring the intensive use of capital. These requirements restrict the Company's ability to withdraw capital from WHI, which in turn may limit the Company's ability to pay dividends, repay debt or redeem or purchase shares of the Company's own outstanding stock. WHI is a member of the Securities Investor Protection Corporation (“SIPC”), which subject to certain limitations, serves to oversee the liquidation of a member brokerage firm, and to return missing cash, stock and other securities owed to the firm's brokerage customers, in the event a member broker-dealer fails. The general SIPC protection for customers' securities accounts held by a member broker-dealer is up to $500,000 for each eligible customer, including a maximum of $250,000 for cash claims. SIPC does not protect brokerage customers against investment losses.

WHI in its capacity as an investment adviser is subject to regulations covering matters such as transactions between clients, transactions between the adviser and clients, custody of client assets and management of mutual funds and other client accounts. The principal purpose of regulation and discipline of investment firms is the protection of customers, clients and the securities markets rather than the protection of creditors and shareholders of investment firms. Sanctions that may be imposed for failure to comply with laws or regulations governing investment advisers include the suspension of individual employees, limitations on an adviser's engaging in various asset management activities for specified periods of time, the revocation of registrations, other censures and fines.

Employees

At December 31, 2015, the Company and its subsidiaries employed a total of 3,770 full-time-equivalent employees. The Company provides its employees with comprehensive medical and dental benefit plans, life insurance plans, 401(k) plans and an employee stock purchase plan. The Company considers its relationship with its employees to be good.

Available Information

The Company’s Internet address is www.wintrust.com. The Company makes available at this address, under the "Investor Relations" tab, free of charge, its Annual Report on Form 10-K, its annual reports to shareholders, Quarterly Reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act") as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

Supplemental Statistical Data

The following statistical information is provided in accordance with the requirements of The Securities Act Industry Guide 3, Statistical Disclosure by Bank Holding Companies, which is part of Regulation S-K as promulgated by the SEC. This data should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, and Management's Discussion and Analysis which are contained in Item 7 of this Annual Report on Form 10-K.

Investment Securities Portfolio

The following table presents the amortized cost and fair value of the Company's investment securities portfolios, by investment category, as of December 31, 2015, 2014 and 2013:

(Dollars in thousands)	2015		2014		2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities						
U.S. Treasury	$312,282	$306,729	$388,713	$381,805	$354,262	$336,095
U.S. Government agencies	70,313	70,236	686,106	668,316	950,086	895,688
Municipal	105,702	108,595	234,951	238,529	154,463	152,716
Corporate notes:						
Financial issuers	80,014	80,043	129,309	129,758	129,362	128,944
Other	1,500	1,502	3,766	3,821	5,994	6,094
Mortgage-backed: (1)						
Mortgage-backed securities	1,069,680	1,052,510	271,129	271,649	562,708	548,198
Collateralized mortgage obligations	40,421	40,087	47,347	47,061	57,711	57,027
Equity securities	51,380	56,686	46,592	51,139	50,532	51,528
Total available-for-sale securities	$1,731,292	$1,716,388	$1,807,913	$1,792,078	$2,265,118	$2,176,290
Held-to-maturity securities						
U.S. Government agencies	$687,302	$680,162	$—	$—	$—	$—
Municipal	197,524	197,949	—	—	—	—
Total held-to-maturity securities	$884,826	$878,111	$—	$—	$—	$—

(1) Consisting entirely of residential mortgage-backed securities, none of which are subprime.

Tables presenting the carrying amounts and gross unrealized gains and losses for securities available-for-sale at December 31, 2015 and 2014 are included by reference to Note 3 to the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K. The following table presents the carrying value of the investment securities portfolios as of December 31, 2015, by maturity distribution.

(Dollars in thousands)	Within 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Mortgage-backed	Equity Securities	Total
Available-for-sale securities							
U.S. Treasury	$96,974	$14,950	$194,805	$—	$—	$—	$306,729
U.S. Government agencies	11,031	53,715	5,490	—	—	—	70,236
Municipal	39,272	42,058	22,276	4,989	—	—	108,595
Corporate notes:							
Financial issuers	11,977	55,745	3,128	9,193	—	—	80,043
Other	1,502	—	—	—	—	—	1,502
Mortgage-backed: (1)							
Mortgage-backed securities	—	—	—	—	1,052,510	—	1,052,510
Collateralized mortgage obligations	—	—	—	—	40,087	—	40,087

Equity securities	—	—	—	—	—	56,686	56,686
Total available-for-sale securities	$160,756	$166,468	$225,699	$14,182	$1,092,597	$56,686	$1,716,388
Held-to-maturity securities							
U.S. Government agencies	$—	$6,569	$44,740	$635,993	$—	$—	$687,302
Municipal	—	12,639	51,714	133,171	—	—	197,524
Total held-to-maturity securities	$—	$19,208	$96,454	$769,164	$—	$—	$884,826

(1) Consisting entirely of residential mortgage-backed securities, none of which are subprime.

The weighted average yield for each range of maturities of securities, on a tax-equivalent basis, is shown below as of December 31, 2015:

	Within 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Mortgage-backed	Equity Securities	Total
Available-for-sale securities							
U.S. Treasury	0.41 %	0.60 %	1.62 %	— %	— %	— %	1.19 %
U.S. Government agencies	0.66	0.77	5.30	—	—	—	1.11
Municipal	1.86	2.51	4.70	4.77	—	—	2.83
Corporate notes:							
Financial issuers	1.17	1.87	2.73	4.80	—	—	2.14
Other	1.78	—	—	—	—	—	1.78
Mortgage-backed: (1)							
Mortgage-backed securities	—	—	—	—	2.79	—	2.79
Collateralized mortgage obligations	—	—	—	—	1.96	—	1.96
Equity securities	—	—	—	—	—	4.45	4.45
Total available-for-sale securities	0.85 %	1.56 %	2.03 %	4.79 %	2.76 %	4.45 %	2.44 %
Held-to-maturity securities							
U.S. Government agencies	— %	1.66 %	3.97 %	3.48 %	— %	— %	3.49 %
Municipal	—	3.03	4.42	4.93	—	—	4.67
Total held-to-maturity securities	— %	2.56 %	4.21 %	3.73 %	— %	— %	3.76 %

(1) Consisting entirely of residential mortgage-backed securities, none of which are subprime.

ITEM 1A. RISK FACTORS

An investment in our securities is subject to risks inherent to our business. Certain material risks and uncertainties that management believes affect Wintrust are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this Annual Report on Form 10-K and in our other filings with the SEC. Additional risks and uncertainties that management is not aware of or that management currently deems immaterial may also impair Wintrust's business operations. This Annual Report on Form 10-K is qualified in its entirety by these risk factors. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities could decline significantly, and you could lose all or part of your investment.

Risks Related to Our Business and Operating Environment

Difficult economic conditions have adversely affected our company and the financial services industry in general and further deterioration in economic conditions may materially adversely affect our business, financial condition, results of operations and cash flows.

The U.S. economy was in a recession from the third quarter of 2008 to the second quarter of 2009, and economic activity continues to be restrained. The housing and real estate markets have also been experiencing extraordinary volatility since 2007. Additionally, unemployment rates remained historically high during these periods. These factors have had a significant negative effect on us and other companies in the financial services industry. As a lending institution, our business is directly affected by the ability of our borrowers to repay their loans , as well as by the value of collateral, such as real estate, that secures many of our loans. Market turmoil led to an increase in charge-offs and has negatively impacted consumer confidence and the level of business activity. However, net charge-offs, excluding covered loans, decreased to $19.2 million in 2015 from $27.2 million in 2014. Our balance of non-performing loans, excluding covered loans, and other real estate owned (“OREO”), excluding covered other real estate owned, was $84.1 million and $43.9 million, respectively, at December 31, 2015 compared to $78.7 million and $45.6 million, respectively, at December 31, 2014. Continued weakness or resumed deterioration in the economy, real estate markets or unemployment rates, particularly in the markets in which we operate, will likely diminish the ability of our borrowers to repay loans that we have given them, the value of any collateral securing such loans and may cause increases in delinquencies, problem assets, charge-offs and provision for credit losses, all of which could materially adversely affect our financial condition and results of operations. Further, the underwriting and credit monitoring policies and procedures that we have adopted may not prevent losses that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Since our business is concentrated in the Chicago metropolitan and southern Wisconsin market areas, further declines in the economy of this region could adversely affect our business.

Except for our premium finance business and certain other niche businesses, our success depends primarily on the general economic conditions of the specific local markets in which we operate. Unlike larger national or other regional banks that are more geographically diversified, we provide banking and financial services to customers primarily in the Chicago metropolitan and southern Wisconsin market areas. The local economic conditions in these areas significantly impact the demand for our products and services as well as the ability of our customers to repay loans, the value of the collateral securing loans and the stability of our deposit funding sources. Specifically, many of the loans in our portfolio are secured by real estate located in the Chicago metropolitan area. Like many areas, our local market area has experienced significant volatility in real estate values in recent years. Further declines in economic conditions, including inflation, recession, unemployment, changes in securities markets or other factors impacting these local markets could, in turn, have a material adverse effect on our financial condition and results of operations. Deterioration in the real estate markets where collateral for our mortgage loans is located could adversely affect the borrower's ability to repay the loan and the value of the collateral securing the loan, and in turn the value of our assets. In addition, the State of Illinois has experienced significant financial difficulty and is facing pension funding shortfalls. To the extent that these issues impact the economic vitality of the state and the businesses operating in Illinois, encourage businesses to leave the state or discourage new employers to start or move businesses to Illinois, it could have a material adverse effect on our financial condition and results of operations.

If our allowance for loan losses is not sufficient to absorb losses that may occur in our loan portfolio, our financial condition and liquidity could suffer.

We maintain an allowance for loan losses that is intended to absorb credit losses that we expect to incur in our loan portfolio. At each balance sheet date, our management determines the amount of the allowance for loan losses based on our estimate of probable and reasonably estimable losses in our loan portfolio, taking into account probable losses that have been identified relating to specific borrowing relationships, as well as probable losses inherent in the loan portfolio and credit undertakings that are not specifically identified.

Because our allowance for loan losses represents an estimate of probable losses, there is no certainty that it will be adequate over time to cover credit losses in the portfolio, particularly if there is deterioration in general economic or market conditions or events that adversely affect specific customers. In 2015, we charged off $19.2 million in loans, excluding covered loans, (net of recoveries) and increased our allowance for loan losses, excluding the allowance for covered loans, from $91.7 million at December 31, 2014 to $105.4 million at December 31, 2015. The increase in allowance in 2015 was primarily the result of significant loan growth during the period. Our allowance for loan losses, excluding the allowance for covered loans, represents 0.62% of total loans, excluding covered loans outstanding at December 31, 2015, compared to 0.64% at December 31, 2014.

Although we believe our loan loss allowance is adequate to absorb probable and reasonably estimable losses in our loan portfolio, if our estimates are inaccurate and our actual loan losses exceed the amount that is anticipated, or if the loss assumptions we used in calculating our reserves are significantly different from those we actually experience, our financial condition and liquidity could be materially adversely affected.

For more information regarding our allowance for loan losses, see “Loan Portfolio and Asset Quality” under Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

A significant portion of our loan portfolio is comprised of commercial loans, the repayment of which is largely dependent upon the financial success and economic viability of the borrower.

The repayment of our commercial loans is dependent upon the financial success and viability of the borrower. If the economy remains weak for a prolonged period or experiences further deterioration or if the industry or market in which the borrower operates weakens, our borrowers may experience depressed or dramatic and sudden decreases in revenues that could hinder their ability to repay their loans. Our commercial loan portfolio totaled $4.7 billion or 27% of our total loan portfolio, at December 31, 2015, compared to $3.9 billion, or 26% of our total loan portfolio, at December 31, 2014.

Commercial loans are secured by different types of collateral related to the underlying business, such as accounts receivable, inventory and equipment. Should a commercial loan require us to foreclose on the underlying collateral, the unique nature of the collateral may make it more difficult and costly to liquidate, thereby increasing the risk to us of not recovering the principal amount of the loan. Accordingly, our business, results of operations and financial condition may be materially adversely affected by defaults in this portfolio.

A substantial portion of our loan portfolio is secured by real estate, in particular commercial real estate. Deterioration in the real estate markets could lead to additional losses, which could have a material adverse effect on our financial condition and results of operations.

As of both December 31, 2015 and 2014, approximately 43% of our total loan portfolio was secured by real estate, the majority of which is commercial real estate. The commercial and residential real estate market continues to experience a variety of difficulties, including the Chicago metropolitan area and southern Wisconsin, in which a majority of our real estate loans are concentrated. Increases in commercial and consumer delinquency levels or declines in real estate market values would require increased net charge-offs and increases in the allowance for loan and lease losses, which could have a material adverse effect on our business, financial condition and results of operations.

Any inaccurate assumptions in our analytical and forecasting models could cause us to miscalculate our projected revenue or losses, which could adversely affect our financial condition.

We use analytical and forecasting models to estimate the effects of economic conditions on our loan portfolio and probable loan performance. Those models reflect certain assumptions about market forces, including interest rates and consumer behavior that may be incorrect. If our analytical and forecasting models’ underlying assumptions are incorrect, improperly applied, or otherwise inadequate, we may suffer deleterious effects such as higher than expected loan losses, lower than expected net interest income, or unanticipated charge-offs, any of which could have a material adverse effect on our business, financial condition and results of operations.

Unanticipated changes in prevailing interest rates and the effects of changing regulation could adversely affect our net interest income, which is our largest source of income.

Wintrust is exposed to interest rate risk in its core banking activities of lending and deposit taking, since changes in prevailing interest rates affect the value of our assets and liabilities. Such changes may adversely affect our net interest income, which is the difference between interest income and interest expense. Our net interest income is affected by the fact that assets and liabilities reprice at different times and by different amounts as interest rates change. Net interest income represents our largest component of net income, and was $641.5 million and $598.6 million for the years ended December 31, 2015 and 2014, respectively.

Each of our businesses may be affected differently by a given change in interest rates. For example, we expect that the results of our mortgage banking business in selling loans into the secondary market would be negatively impacted during periods of rising interest rates, whereas falling interest rates could have a negative impact on the net interest spread earned on deposits as we would be unable to lower the rates on many interest bearing deposit accounts of our customers to the same extent as many of our higher yielding asset classes.

Additionally, increases in interest rates may adversely influence the growth rate of loans and deposits, the quality of our loan portfolio, loan and deposit pricing, the volume of loan originations in our mortgage banking business and the value that we can recognize on the sale of mortgage loans in the secondary market.

We seek to mitigate our interest rate risk through several strategies, which may not be successful. With the relatively low interest rates that prevailed in recent years, we were able to augment the total return of our investment securities portfolio by selling call options on fixed-income securities that we own. We recorded fee income of approximately $15.4 million, $7.9 million and $4.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. We also mitigate our interest rate risk by entering into interest rate swaps and other interest rate derivative contracts from time to time with counterparties. To the extent that the market value of any derivative contract moves to a negative market value, we are subject to loss if the counterparty defaults. In the future, there can be no assurance that such mitigation strategies will be available or successful.

Our liquidity position may be negatively impacted if economic conditions continue to suffer.

Liquidity is a measure of whether our cash flows and liquid assets are sufficient to satisfy current and future financial obligations, such as demand for loans, deposit withdrawals and operating costs. Our liquidity position is affected by a number of factors, including the amount of cash and other liquid assets on hand, payment of interest and dividends on debt and equity instruments that we have issued, capital we inject into our bank subsidiaries, proceeds we raise through the issuance of securities, our ability to draw upon our revolving credit facility and dividends received from our banking subsidiaries. Our future liquidity position may be adversely affected by multiple factors, including:

- if our banking subsidiaries report net losses or their earnings are weak relative to our cash flow needs;
- if it is necessary for us to make capital injections to our banking subsidiaries;
- if changes in regulations require us to maintain a greater level of capital, as more fully described below;
- if we are unable to access our revolving credit facility due to a failure to satisfy financial and other covenants; or
- if we are unable to raise additional capital on terms that are satisfactory to us.

Weakness or worsening of the economy, real estate markets or unemployment levels may increase the likelihood that one or more of these events will occur. If our liquidity is adversely affected, it may have a material adverse effect on our business, results of operations and financial condition.

The financial services industry is very competitive, and if we are not able to compete effectively, we may lose market share and our business could suffer.

We face competition in attracting and retaining deposits, making loans, and providing other financial services (including wealth management services) throughout our market area. Our competitors include national, regional and other community banks, and a wide range of other financial institutions such as credit unions, government-sponsored enterprises, mutual fund companies, insurance companies, factoring companies and other non-bank financial companies. Many of these competitors have substantially greater resources and market presence than Wintrust and, as a result of their size, may be able to offer a broader range of products and services, better pricing for those products and services, or newer technologies to deliver those products and services than we can. Several of our local competitors have experienced improvements in their financial condition over the few years and are better positioned to compete for loans, acquisitions and personnel. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and payment systems, and for banks that do not have a physical presence in our markets to compete for deposits.

Our ability to compete successfully depends on a number of factors, including, among other things:

- the ability to develop, maintain and build upon long-term customer relationships based on top quality service and high ethical standards;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the ability to expand our market position;

- the ability to uphold our reputation in the marketplace;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

If we are unable to compete effectively, we will lose market share and income from deposits, loans and other products may be reduced. This could adversely affect our profitability and have a material adverse effect on our business, financial condition and results of operations.

If we are unable to continue to identify favorable acquisitions or successfully integrate our acquisitions, our growth may be limited and our results of operations could suffer.

In the past several years, we have completed numerous acquisitions of banks, other financial service related companies and financial service related assets, including acquisitions of troubled financial institutions, as more fully described below. We expect to continue to make such acquisitions in the future. Wintrust seeks merger or acquisition partners that are culturally similar, have experienced management, possess either significant market presence or have potential for improved profitability through financial management, economies of scale or expanded services. Failure to successfully identify and complete acquisitions likely will result in Wintrust achieving slower growth. Acquiring other banks, businesses or branches involves various risks commonly associated with acquisitions, including, among other things:

- potential exposure to unknown or contingent liabilities or asset quality issues of the target company;
- failure to adequately estimate the level of loan losses at the target company;
- difficulty and expense of integrating the operations and personnel of the target company;
- potential disruption to our business, including diversion of our management's time and attention;
- the possible loss of key employees and customers of the target company;
- difficulty in estimating the value of the target company; and
- potential changes in banking or tax laws or regulations that may affect the target company.

Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of Wintrust's tangible book value and net income per common share may occur as a result of any future transaction. In addition, certain acquisitions may expose us to additional regulatory risks, including from foreign governments. Our ability to comply with any such regulations will impact the success of any such acquisitions. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from an acquisition could have a material adverse effect on our financial condition and results of operations.

Our participation in FDIC-assisted acquisitions may present additional risks to our financial condition and results of operations.

As part of our growth strategy, we have made opportunistic partial acquisitions of troubled financial institutions in transactions facilitated by the FDIC through our bank subsidiaries. These acquisitions, and any future FDIC-assisted transactions we may undertake, involve greater risk than traditional acquisitions because they are typically conducted on an accelerated basis, allowing less time for us to prepare for and evaluate possible transactions, or to prepare for integration of an acquired institution. These transactions also present risks of customer loss, strain on management resources related to collection and management of problem loans and problems related to the integration of operations and personnel of the acquired financial institutions. As a result, there can be no assurance that we will be able to successfully integrate the financial institutions we acquire, or that we will realize the anticipated benefits of the acquisitions. Additionally, while the FDIC may agree to assume certain losses in transactions that it facilitates, there can be no assurances that we would not be required to raise additional capital as a condition to, or as a result of, participation in an FDIC-assisted transaction. Any such transactions and related issuances of stock may have dilutive effect on earnings per share. Furthermore, we may face competition from other financial institutions with respect to proposed FDIC-assisted transactions.

We are also subject to certain risks relating to our loss sharing agreements with the FDIC. Under a loss sharing agreement, the FDIC generally agrees to reimburse the acquiring bank for a portion of any losses relating to covered assets of the acquired financial institution. This is an important financial term of any FDIC-assisted transaction, as troubled financial institutions often have poorer asset quality. As a condition to reimbursement, however, the FDIC requires the acquiring bank to follow certain servicing procedures. A failure to follow servicing procedures or any other breach of a loss sharing agreement by us could result in the loss of FDIC reimbursement. While we have established a group dedicated to servicing the loans covered by the FDIC loss sharing agreements, there can be no assurance that we will be able to comply with the FDIC servicing procedures. In addition, reimbursable losses and recoveries under loss sharing agreements are based on the book value of the relevant loans and other assets as determined by the FDIC as of the effective dates of the acquisitions. The amount that the acquiring banks realize on these assets could differ materially from the carrying value that will be reflected in our financial statements, based upon the timing and amount of collections on the covered loans in future periods. Any failure to receive reimbursement, or any material differences between the amount of reimbursements that we do receive and the carrying value reflected in our financial statements, could have a material negative effect on our financial condition and results of operations.

An actual or perceived reduction in our financial strength may cause others to reduce or cease doing business with us, which could result in a decrease in our net interest income and fee revenues.

Our customers rely upon our financial strength and stability and evaluate the risks of doing business with us. If we experience diminished financial strength or stability, actual or perceived, including due to market or regulatory developments, announced or rumored business developments or results of operations, or a decline in stock price, customers may withdraw their deposits or otherwise seek services from other banking institutions and prospective customers may select other service providers. The risk that we may be perceived as less creditworthy relative to other market participants is increased in the current market environment, where the consolidation of financial institutions, including major global financial institutions, is resulting in a smaller number of much larger counterparties and competitors. As our community banks become more closely identified with the Wintrust name, the impact of any perceived weakness or creditworthiness at either the holding company or our community banks may be greater than in prior periods. If customers reduce their deposits with us or select other service providers for all or a portion of the services that we provide them, net interest income and fee revenues will decrease accordingly, and could have a material adverse effect on our results of operations.

If our growth requires us to raise additional capital, that capital may not be available when it is needed or the cost of that capital may be very high.

We are required by regulatory authorities to maintain adequate levels of capital to support our operations (see “-Risks Related to Our Regulatory Environment-If we fail to meet our regulatory capital ratios, we may be forced to raise capital or sell assets”) and as we grow, internally and through acquisitions, the amount of capital required to support our operations grows as well. We may need to raise additional capital to support continued growth both internally and through acquisitions. Any capital we obtain may result in the dilution of the interests of existing holders of our common stock.

Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time which are outside our control and on our financial condition and performance. If we cannot raise additional capital when needed, or on terms acceptable to us, our ability to further expand our operations through internal growth and acquisitions could be materially impaired and our financial condition and liquidity could be materially and negatively affected.

Disruption in the financial markets could result in lower fair values for our investment securities portfolio.

The Company's available-for-sale and trading securities are carried at fair value. Major disruptions in the capital markets experienced in recent years have impacted investor demand for all classes of securities and resulted in volatility in the fair values of the Company's investment securities.

Accounting standards require the Company to categorize these securities according to a fair value hierarchy. As of December 31, 2015, approximately 95% of the Company's available-for-sale securities were categorized in level 2 of the fair value hierarchy (meaning that their fair values were determined by quoted prices for similar assets or other observable inputs). Significant prolonged reduced investor demand could manifest itself in lower fair values for these securities and may result in recognition of an other-than-temporary or permanent impairment of these assets, which could lead to accounting charges and have a material adverse effect on the Company's financial condition and results of operations.

The remaining securities in our available-for-sale securities portfolio were categorized as level 3 (meaning that their fair values were determined by inputs that are unobservable in the market and therefore require a greater degree of management judgment). The determination of fair value for securities categorized in level 3 involves significant judgment due to the complexity of factors contributing to the valuation, many of which are not readily observable in the market. Recent market disruptions make valuation of such securities even more difficult and subjective. In addition, the nature of the business of the third party source that is valuing the securities at any given time could impact the valuation of the securities. Consequently, the ultimate sales price for any of these securities could vary significantly from the recorded fair value at December 31, 2015, especially if the security is sold during a period of illiquidity or market disruption or as part of a large block of securities under a forced transaction.

There can be no assurance that decline in market value associated with these disruptions will not result in other-than-temporary or permanent impairments of these assets, which would lead to accounting charges which could have a material negative effect on our business, financial condition and results of operations.

Our controls and procedures may fail or be circumvented.

Management regularly reviews and updates our internal controls over financial reporting, disclosure controls and procedures and corporate governance policies and procedures. Any system of controls, however well-designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

New lines of business and new products and services are essential to our ability to compete but may subject us to additional risks.

We continually implement new lines of business and offer new products and services within existing lines of business to offer our customers a competitive array of products and services. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology can increase efficiency and enable financial institutions to better serve customers and to reduce costs. However, some new technologies needed to compete effectively result in incremental operating costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in operations. Many of our competitors, because of their larger size and available capital, have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could cause a loss of customers and have a material adverse effect on our business.

At the same time, there can be substantial risks and uncertainties associated with these efforts, particularly in instances where the markets for such services are still developing. In developing and marketing new lines of business and/or new products or services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved, and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition, and results of operations.

Failures of our information technology systems may adversely affect our operations.

We are increasingly dependent upon computer and other information technology systems to manage our business. We rely upon information technology systems to process, record, monitor and disseminate information about our operations. In some cases, we depend on third parties to provide or maintain these systems. While we perform a review of controls instituted by our critical vendors in accordance with industry standards, we must rely on the continued maintenance of these controls by the outside party, including safeguards over the security of customer data. Additionally, we must rely on our employees to safeguard access to our information technology systems and avoid inadvertent complicity with external security threats. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses or other malicious code and cyber attacks that could have a security impact. If one or more of these events occur, or if any of our financial, accounting or other data processing systems fail or have other significant shortcomings, this could jeopardize our or our customers' confidential and other information processed and stored in, and transmitted through, our computer systems and networks or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. Security breaches in our online banking systems could also have an adverse effect on our reputation. Our systems may also be affected by events that are beyond our control, which may include, for example, electrical or telecommunications outages or other damage to our property or assets. Although we take precautions against malfunctions and security breaches, our efforts may not be adequate to prevent problems that could materially adversely affect our business, financial condition and results of operations.

Failures by or of our vendors may adversely affect our operations.

We use and rely upon many external vendors to provide us with day-to-day products and services essential to our operations. We are thus exposed to risk that such vendors will not perform as contracted or at agreed-upon service levels. The failure of our vendors to perform as contracted or at necessary service levels for any reason could disrupt our operations, which could adversely affect our business. In addition, if any of our vendors experience insolvency or other business failure, such failure could affect our ability to obtain necessary products or services from a substitute vendor in a timely and cost-effective manner or prevent us from effectively pursuing certain business objectives entirely. Our failure to implement business objectives due to vendor nonperformance could adversely affect our financial condition and results of operations.

We issue debit cards, and debit card transactions pose a particular cybersecurity risk that is outside of our control.

Debit card numbers are susceptible to theft at the point of sale via the physical terminal through which transactions are processed and by other means of hacking. The security and integrity of these transactions are dependent upon retailers' vigilance and willingness to invest in technology and upgrades. Despite third-party security risks that are beyond our control, we offer our customers protection against fraud and attendant losses for unauthorized use of debit cards in order to stay competitive in the marketplace. Offering such protection to our customers exposes us to potential losses which, in the event of a data breach at one or more retailers of considerable magnitude, may adversely affect our business, financial condition, and results of operations.

We depend on the accuracy and completeness of information we receive about our customers and counterparties to make credit decisions.

We rely on information furnished by or on behalf of customers and counterparties in deciding whether to extend credit or enter into other transactions. This information could include financial statements, credit reports, and other financial information. We also rely on representations of those customers, counterparties, or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports, or other financial information could have a material adverse impact on our business, financial condition and results of operations.

If we are unable to attract and retain experienced and qualified personnel, our ability to provide high quality service will be diminished, we may lose key customer relationships, and our results of operations may suffer.

We believe that our future success depends, in part, on our ability to attract and retain experienced personnel, including our senior management and other key personnel. Our business model is dependent upon our ability to provide high quality and personal service. In addition, as a holding company that conducts its operations through our subsidiaries, we are focused on providing entrepreneurial-based compensation to the chief executives of each our business units. As a Company with start-up and growth oriented operations, we are cognizant that to attract and retain the managerial talent necessary to operate and grow our businesses we often have to compensate our executives with a view to the business we expect them to manage, rather than the size of the business they currently manage. Accordingly, any executive compensation restrictions may negatively impact our ability to retain and attract senior management. The departure of a senior manager or other key personnel may damage relationships with certain customers, or certain customers may choose to follow such personnel to a competitor. The loss of any of our senior managers or other key personnel, or our inability to identify, recruit and retain such personnel, could materially and adversely affect our business, results of operations and financial condition.

We are subject to environmental liability risk associated with lending activities.

A significant portion of the Company's loan portfolio is secured by real property. In the ordinary course of business, the Company may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Company may be liable for remediation costs, as well as for personal injury and property damage. In addition, we own and operate a number of properties that may be subject to similar environmental liability risks.

Environmental laws may require the Company to incur substantial expenses and could materially reduce the affected property's value or limit the Company's ability to use or sell the affected property. The costs associated with investigation and remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. Although the Company has policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on the Company's business, financial condition and results of operations.

We are subject to claims and legal actions which could negatively affect our results of operations or financial condition.

Periodically, as a result of our normal course of business, we are involved in claims and related litigation from our customers or employees. These claims and legal actions, whether meritorious or not, as well as reviews, investigations and proceedings by governmental and self-regulatory agencies could involve large monetary claims and significant legal expense. In addition, such actions may negatively impact our reputation in the marketplace and lessen customer demand. If such claims and legal actions are not decided in Wintrust's favor, our results of operations and financial condition could be adversely impacted.

Losses incurred in connection with actual or projected repurchases and indemnification payments related to mortgages that we have sold into the secondary market may exceed our financial statement reserves and we may be required to increase such reserves in the future. Increases to our reserves and losses incurred in connection with actual loan repurchases and indemnification payments could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We engage in the origination and purchase of residential mortgages for sale into the secondary market. In connection with such sales, we make certain representations and warranties, which, if breached, may require us to repurchase such loans, substitute other loans or indemnify the purchasers of such loans for actual losses incurred in respect of such loans. Due, in part, to increased mortgage payment delinquency rates and declining housing prices during the post 2007 period, we have been receiving such requests for loan repurchases and indemnification payments relating to the representations and warranties with respect to such loans. We have been able to reach settlements with a number of purchasers, and believe that we have established appropriate reserves with respect to indemnification requests. It is possible that the number of such requests will increase or that we will not be able to reach settlements with respect to such requests in the future. Accordingly, it is possible that losses incurred in connection with loan repurchases and indemnification payments may be in excess of our financial statement reserves, and we may be required to increase such reserves and may sustain additional losses associated with such loan repurchases and indemnification payments in the future. Increases to our reserves and losses incurred by us in connection with actual loan repurchases and indemnification payments in excess of our reserves could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Consumers may decide not to use banks to complete their financial transactions, which could adversely affect our business and results of operations.

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks through alternative methods. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely impacted by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties and routinely execute transactions with counterparties in the financial services industry, including the Federal Home Loan Bank ("FHLB"), commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount due to us. Any such losses could have material adverse effect on our business, financial condition and results of operations.

De novo operations often involve significant expenses and delayed returns and may negatively impact Wintrust's profitability.

Our financial results have been and will continue to be impacted by our strategy of branch openings and de novo bank formations. We expect to increase the opening of additional branches as market conditions improve and, if the interest rate environment and economic climate and regulatory conditions become favorable, may resume de novo bank formations. Based on our experience, we believe that it generally takes over 13 months for de novo banks to first achieve operational profitability, depending on the number of banking facilities opened, the impact of organizational and overhead expenses, the start-up phase of generating deposits and the time lag typically involved in redeploying deposits into attractively priced loans and other higher yielding earning assets. However, it may take longer than expected or more than the amount of time Wintrust has historically experienced for new banks and/or banking facilities to reach profitability, and there can be no guarantee that these branches or banks will ever be profitable. Moreover, the FDIC's extension of the enhanced supervisory period for de novo banks from three to seven years, including higher capital requirements during this period, could also delay a new bank's ability to contribute to the

Company's earnings and impact the Company's willingness to expand through de novo bank formation. To the extent we undertake additional de novo bank, branch and business formations, our level of reported net income, return on average equity and return on average assets will be impacted by startup costs associated with such operations, and it is likely to continue to experience the effects of higher expenses relative to operating income from the new operations. These expenses may be higher than we expected or than our experience has shown, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to examinations and challenges by tax authorities, and changes in federal and state tax laws and changes in interpretation of existing laws can impact our financial results.

In the normal course of business, we, as well as our subsidiaries, are routinely subject to examinations from federal and state tax authorities regarding the amount of taxes due in connection with investments we have made and the businesses in which we have engaged. Recently, federal and state tax authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to among other things tax compliance, sales and use, franchise, gross receipts, payroll, property and income tax issues, including tax base, apportionment and tax credit planning. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in our favor, they could have a material adverse effect on our financial condition and results of operations. Given the current economic and political environment and ongoing budgetary pressures, the enactment of new federal or state tax legislation may occur. The enactment of such legislation, or changes in the interpretation of existing law, including provisions impacting tax rates, apportionment, consolidation or combination, income, expenses and credits may have a material adverse effect on our business, financial condition and results of operations.

Changes in accounting policies or accounting standards could materially adversely affect how we report our financial results and financial condition.

Our accounting policies are fundamental to understanding our financial results and financial condition. Some of these policies require use of estimates and assumptions that affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses. From time to time, the Financial Accounting Standards Board ("FASB") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

We are a bank holding company, and our sources of funds, including to pay dividends, are limited.

We are a bank holding company and our operations are primarily conducted by and through our 15 operating banks, which are subject to significant federal and state regulation. Cash available to pay dividends to our shareholders, repurchase our shares or repay our indebtedness is derived primarily from dividends received from our banks and our ability to receive dividends from our subsidiaries is restricted. Various statutory provisions restrict the amount of dividends our banks can pay to us without regulatory approval. The banks may not pay cash dividends if that payment could reduce the amount of their capital below that necessary to meet the “adequately capitalized” level in accordance with regulatory capital requirements. It is also possible that, depending upon the financial condition of the banks and other factors, regulatory authorities could conclude that payment of dividends or other payments, including payments to us, is an unsafe or unsound practice and impose restrictions or prohibit such payments. Our inability to receive dividends from our banks could adversely affect our business, financial condition and results of operations.

Anti-takeover provisions could negatively impact our shareholders.

Certain provisions of our articles of incorporation, by-laws and Illinois law may have the effect of impeding the acquisition of control of Wintrust by means of a tender offer, a proxy fight, open-market purchases or otherwise in a transaction not approved by our board of directors. For example, our board of directors may issue additional authorized shares of our capital stock to deter future attempts to gain control of Wintrust, including the authority to determine the terms of any one or more series of preferred stock, such as voting rights, conversion rates and liquidation preferences. As a result of the ability to fix voting rights for a series of preferred stock, the board has the power, to the extent consistent with its fiduciary duty, to issue a series of preferred stock to persons friendly to management in order to attempt to block a merger or other transaction by which a third party seeks control, and thereby assist the incumbent board of directors and management to retain their respective positions. In addition, our articles of incorporation expressly elect to be governed by the provisions of Section 7.85 of the Illinois Business

Corporation Act, which would make it more difficult for another party to acquire us without the approval of our board of directors.

The ability of a third party to acquire us is also limited under applicable banking regulations. The BHC Act requires any “bank holding company” (as defined in the BHC Act) to obtain the approval of the Federal Reserve prior to acquiring more than 5% of our outstanding common stock. Any person other than a bank holding company is required to obtain prior approval of the Federal Reserve to acquire 10% or more of our outstanding common stock under the Change in Bank Control Act of 1978. Any holder of 25% or more of our outstanding common stock, other than an individual, is subject to regulation as a "bank holding company" under the BHC Act. For purposes of calculating ownership thresholds under these banking regulations, bank regulators would likely at least take the position that the minimum number of shares, and could take the position that the maximum number of shares, of Wintrust common stock that a holder is entitled to receive pursuant to securities convertible into or settled in Wintrust

common stock, including pursuant to Wintrust's warrants to purchase Wintrust common stock held by such holder, must be taken into account in calculating a shareholder's aggregate holdings of Wintrust common stock.
These provisions may have the effect of discouraging a future takeover attempt that is not approved by our board of directors but which our individual shareholders may deem to be in their best interests or in which our shareholders may receive a substantial premium for their shares over then-current market prices. As a result, shareholders who might desire to participate in such a transaction may not have an opportunity to do so. Such provisions will also render the removal of our current board of directors or management more difficult.
Risks Related to Our Regulatory Environment
If we fail to meet our regulatory capital ratios, we may be forced to raise capital or sell assets.
As a banking institution, we are subject to regulations that require us to maintain certain capital ratios, such as the ratio of our Tier 1 capital to our risk-based assets. If our regulatory capital ratios decline, as a result of decreases in the value of our loan portfolio or otherwise, we will be required to improve such ratios by either raising additional capital or by disposing of assets. If we choose to dispose of assets, we cannot be certain that we will be able to do so at prices that we believe to be appropriate, and our future operating results could be negatively affected. If we choose to raise additional capital, we may accomplish this by selling additional shares of common stock, or securities convertible into or exchangeable for common stock, which could significantly dilute the ownership percentage of holders of our common stock and cause the market price of our common stock to decline. Additionally, events or circumstances in the capital markets generally may increase our capital costs and impair our ability to raise capital at any given time.
If our credit rating is lowered, our financing costs could increase.
We have been rated by Fitch Ratings as BBB.
Our creditworthiness is not fixed and should be expected to change over time as a result of company performance and industry conditions. We cannot give any assurances that our credit ratings will remain at current levels, and it is possible that our ratings could be lowered or withdrawn by Fitch Ratings. Any actual or threatened downgrade or withdrawal of our credit rating could affect our perception in the marketplace and ability to raise capital, and could increase our debt financing costs.
Changes in the United States’ monetary policy may restrict our ability to conduct our business in a profitable manner.
Our ability to profitably operate is dependent, in part, upon federal fiscal policies that cannot be predicted. We are particularly affected by the monetary policies of the Federal Reserve Board, which influence money supply in the United States. Any change in the United States’ monetary policy, or worsening federal budgetary pressures, could affect our access to capital. Additionally, any trend toward inflation, economic decline, destabilizing of financial markets, or other factors beyond our control may significantly affect consumer demand for our products and consumers’ ability to repay loans, reducing our results of operations.
Legislative and regulatory actions taken now or in the future regarding the financial services industry may significantly increase our costs or limit our ability to conduct our business in a profitable manner.
We are already subject to extensive federal and state regulation and supervision. The cost of compliance with such laws and regulations can be substantial and adversely affect our ability to operate profitably. While we are unable to predict the scope or impact of any potential legislation or regulatory action until it becomes final, it is possible that changes in applicable laws, regulations or interpretations hereof could significantly increase our regulatory compliance costs, impede the efficiency of our internal business processes, negatively impact the recoverability of certain of our recorded assets, require us to increase our regulatory capital, interfere with our executive compensation plans, or limit our ability to pursue business opportunities in an efficient manner including our plan for de novo growth and growth through acquisitions.
The Dodd-Frank Act significantly changed the bank regulatory structure and affects the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new rules and regulations, including heightened capital requirements, and to prepare numerous studies and reports for Congress. The Dodd-Frank Act amended the laws governing federal preemption of state laws as applied to national banks, and eliminated federal preemption for subsidiaries of national banks. These changes may subject our national banks and their subsidiaries and divisions, including Wintrust Mortgage, to additional state regulation. With regard to mortgage lending, the Dodd-Frank Act

imposed new requirements regarding the origination and servicing of residential mortgage loans. The law created a variety of new consumer protections, including limitations on the manner by which loan originators may be compensated and an obligation of the part of lenders to assess and verify a borrower's “ability to repay” a residential mortgage loan.

The Dodd-Frank Act also enhanced provisions relating to affiliate and insider lending restrictions and loans-to-one-borrower limitations. Federal and state banking laws impose limits on the amount of credit a bank can extend to any one person (or group of related persons). The Dodd-Frank Act expanded the scope of these restrictions for national banks under federal law to include credit exposure arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions.

Provisions of the Dodd-Frank Act also amended the FDIA to prohibit state-chartered banks (including certain of our banking subsidiaries) from engaging in derivative transactions unless the state lending limit laws take into account credit exposure to such transactions.

Additional discussion of the Dodd-Frank Act may be found in this Annual Report on Form 10-K under “Business - Supervision and Regulation” and “Management's Discussion and Analysis of Financial Condition and Results of Operations-Overview and Strategy-Financial Regulatory Reform” in Item 7.

Given the uncertainty associated with the manner in which many provisions of the Dodd-Frank Act will be implemented by the various regulatory agencies, the full extent of the impact that its requirements will have on our operations is unclear. However, its requirements may, individually or in the aggregate, have a material adverse effect upon the Company's business, results of operations, cash flows and financial position.

Financial reform legislation and increased regulatory rigor around mortgage-related issues may reduce our ability to market our products to consumers and may limit our ability to profitably operate our mortgage business.

The Dodd-Frank Act also established the CFPB within the Federal Reserve, which now regulates consumer financial products and services. On July 21, 2011, many of the consumer financial protection functions previously assigned to other federal agencies shifted to the CFPB. The CFPB now has broad rulemaking authority over a wide range of consumer protection laws that apply to banks and other providers of consumer financial services, including the authority to prohibit “unfair, deceptive or abusive acts or practices,” and to enact regulations to ensure that all consumers have access to markets for consumer financial products and services, and that such markets are fair, transparent and competitive. The Dodd-Frank Act also required the CFPB to adopt a number of new specific regulatory requirements. These new rules may increase the costs of engaging in these activities for all market participants, including our subsidiaries. Additionally, the CFPB has broad supervisory, examination and enforcement authority. Although we and our subsidiary banks are not subject to CFPB examination, the actions taken by the CFPB may influence enforcement actions and positions taken by other federal and state regulators, including those with jurisdiction over us and our subsidiaries. In addition, in the wake of the mortgage crisis of the last few years, federal and state banking regulators are closely examining the mortgage and mortgage servicing activities of depository financial institutions. Should the regulatory agencies have serious concerns with respect to our operations in this regard, the effect of such concerns could have a material adverse effect on our profits. Finally, the Dodd-Frank Act authorizes state attorneys general and other state officials to enforce certain consumer protection rules issued by the CFPB.

Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business.

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered "predatory." These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. Over the course of 2013 and 2014, the CFPB issued several rules on mortgage lending, notably a rule requiring all home mortgage lenders to determine a borrower's ability to repay the loan. Loans with certain terms and conditions and that otherwise meet the definition of a "qualified mortgage" may be protected from liability to a borrower for failing to make the necessary determinations. In either case, we may find it necessary to tighten our mortgage loan underwriting standards in response to the CFPB rules, which may constrain our ability to make loans consistent with our business strategies. It is our policy not to make predatory loans and to determine borrowers' ability to repay, but the law and related rules create the potential for increased liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make. In addition, regulation related to redlining, fair lending, Community Re-Investment Act compliance and Bank Secrecy Act compliance create significant burdens which necessitate increased costs. Any failure to comply with any of these regulations could have a significant impact on our ability to operate, our ability to acquire or open new banks and/or result in meaningful fines.

Regulatory initiatives regarding bank capital requirements may require heightened capital.

Both the Dodd-Frank Act, which reformed the regulation of financial institutions in a comprehensive manner, and the Basel III regulatory capital reforms, which increase both the amount and quality of capital that financial institutions must hold will impact our capital requirements. Specifically, in July 2013, the U.S. federal banking authorities approved the implementation of the Basel III Rule. The Basel III Rule is applicable to all U.S. banks that are subject to minimum capital requirements as well as to bank and saving and loan holding companies, other than “small bank holding companies” (generally bank holding companies with consolidated assets of less than $500 million). The Basel III Rule not only increases most of the required minimum regulatory capital ratios, it introduces a new Common Equity Tier 1 capital ratio and the concept of a capital conservation buffer. The Basel III Rule also expands the current definition of capital by establishing additional criteria that capital instruments must meet to be considered Additional Tier 1 capital (i.e., Tier 1 capital in addition to Common Equity) and Tier 2 capital. A number of instruments that now generally qualify as Tier 1 capital will not qualify or their qualifications will change when the Basel III Rule is fully implemented. The Basel III Rule has maintained the general structure of the current prompt corrective action thresholds while incorporating the increased requirements, including the Common Equity Tier 1 capital ratio. In order to be a "well-capitalized" depository institution under the new regime, an institution must maintain a Common Equity Tier 1 capital ratio of 6.5% or more, a Tier 1 capital ratio of 8% or more, a total capital ratio of 10% or more, and a leverage ratio of 5% or more. Institutions must also maintain a capital conservation buffer consisting of Common Equity Tier 1 capital. Financial institutions became subject to the Basel III Rule on January 1, 2015 with a phase-in period through 2019 for many of the changes.

The implementation of these provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, will impact the profitability of our business activities and may change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect our business, financial condition and results of operations. Our management is actively reviewing the provisions of the Dodd-Frank Act and the Basel III Rule, many of which are to be phased-in over the next several months and years, and assessing the probable impact on our operations. However, the ultimate effect of these changes on the financial services industry in general, and us in particular, is uncertain at this time.

In October 2012, the Federal Reserve published a final rule implementing the stress test requirements under the Dodd-Frank Act, which are designed to evaluate the sufficiency of a banking organization's capital to support its operations during periods of stress. As a bank holding company with between $10 billion and $50 billion in total consolidated assets, we were required to conduct annual stress tests based on scenarios provided by the Federal Reserve, beginning in the fall of 2013, and will be required to publicly disclose the results of our stress tests going forward. This stress test requirement has increased our compliance costs. We anticipate that our pro forma capital ratios, as reflected in the stress test calculations under the required stress test scenarios, will be an important factor considered by the Federal Reserve Board in evaluating whether proposed payments of dividends or stock repurchases are consistent with its prudential expectations. Requirements to maintain higher levels of capital or liquidity to address potential adverse stress scenarios could adversely impact our net income and our return on equity.

Our FDIC insurance premiums may increase, which could negatively impact our results of operations.

Recent insured institution failures, as well as deterioration in banking and economic conditions, have significantly increased FDIC loss provisions, resulting in a decline of its deposit insurance fund to historical lows. In addition, the Dodd-Frank Act made permanent a temporary increase in the limit on FDIC coverage to $250,000 per depositor. These developments have caused our FDIC insurance premiums to increase, and may cause additional increases. Certain provisions of the Dodd-Frank Act may further affect our FDIC insurance premiums. The Dodd-Frank Act includes provisions that change the assessment base for federal deposit insurance from the amount of insured deposits to average total consolidated assets less average tangible capital, eliminate the maximum size of the DIF, eliminate the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds, and increase the minimum reserve ratio of the DIF from 1.15% to 1.35%. Beginning in late 2010, the FDIC issued regulations implementing some of these changes. There is a risk that the banks' deposit insurance premiums will continue to increase if failures of insured depository institutions continue to deplete the DIF. Any such increase may negatively impact our financial condition and results of operations.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act or other laws and regulations could result in fines or sanctions.

The USA PATRIOT Act and the Bank Secrecy Act require financial institutions to develop programs to prevent financial institutions from being used for money laundering or the funding of terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with FinCEN. These rules require certain financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new accounts. Failure to comply with these regulations could result in fines or sanctions. Several banking institutions have received large fines for non-compliance with these laws and regulations. Although we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations.

Risks Related to Our Niche Businesses

Our premium finance business may involve a higher risk of delinquency or collection than our other lending operations, and could expose us to losses.

We provide financing for the payment of commercial insurance premiums and life insurance premiums on a national basis through our wholly owned subsidiary, FIFC, and financing for the payment of commercial insurance premiums in Canada through our wholly owned subsidiary, FIFC Canada. Commercial insurance premium finance loans involve a different, and possibly higher, risk of delinquency or collection than life insurance premium finance loans and the loan portfolios of our bank subsidiaries because these loans are issued primarily through relationships with a large number of unaffiliated insurance agents and because the borrowers are located nationwide. As a result, risk management and general supervisory oversight may be difficult. As of December 31, 2015, we had $2.4 billion of commercial insurance premium finance loans outstanding, of which $2.1 billion were originated in the U.S. by FIFC and $278.3 million were originated in Canada by FIFC Canada. Together, these loans represented 14% of our total loan portfolio as of such date.

FIFC and FIFC Canada may also be more susceptible to third party fraud with respect to commercial insurance premium finance loans because these loans are originated and many times funded through relationships with unaffiliated insurance agents and brokers. In the second quarter of 2010, fraud perpetrated against a number of premium finance companies in the industry, including the property and casualty division of FIFC, increased both the Company's net charge-offs and provision for credit losses by $15.7 million. Acts of fraud are difficult to detect and deter, and we cannot assure investors that our risk management procedures and controls will prevent losses from fraudulent activity.

FIFC may be exposed to the risk of loss in our life insurance premium finance business because of fraud. While FIFC maintains a policy prohibiting the knowing financing of stranger-originated life insurance and has established procedures to identify and prevent the company from financing such policies, FIFC cannot be certain that it will never provide loans with respect to such a policy. In the event such policies were financed, a carrier could potentially put at risk the cash surrender value of a policy, which serves as FIFC's primary collateral, by challenging the validity of the insurance contract for lack of an insurable interest.

See the below risk factor “Widespread financial difficulties or credit downgrades among commercial and life insurance providers could lessen the value of the collateral securing our premium finance loans and impair the financial condition and liquidity of FIFC and FIFC Canada” for a discussion of further risks associated with our insurance premium finance activities.

While FIFC is licensed as required and carefully monitors compliance with regulation of each of its businesses, there can be no assurance that FIFC will not be negatively impacted by material changes in the regulatory environment. FIFC Canada is not required to be licensed in most provinces of Canada, but there can be no assurance that future regulations which impact the business of FIFC Canada will not be enacted.

Additionally, to the extent that affiliates of insurance carriers, banks, and other lending institutions add greater service and flexibility to their financing practices in the future, our competitive position and results of operations could be adversely affected. FIFC's life insurance premium finance business could be materially negatively impacted by changes in the federal or state estate tax provisions. There can be no assurance that FIFC will be able to continue to compete successfully in its markets.

Widespread financial difficulties or credit downgrades among commercial and life insurance providers could lessen the value of the collateral securing our premium finance loans and impair the financial condition and liquidity of FIFC and FIFC Canada.

FIFC and FIFC Canada's premium finance loans are primarily secured by the insurance policies financed by the loans. These insurance policies are written by a large number of insurance companies geographically dispersed throughout the country. Our premium finance receivables balances finance insurance policies which are spread among a large number of insurers; however, one of the insurers represents approximately 14% of such balances and two additional insurers each of which represents approximately 5% of such balances. FIFC and FIFC Canada consistently monitor carrier ratings and financial performance of our carriers. While FIFC and FIFC Canada can mitigate its risks as a result of this monitoring to the extent that commercial or life insurance providers experience widespread difficulties or credit downgrades, the value of our collateral will be reduced. FIFC and FIFC Canada are also subject to the possibility of insolvency of insurance carriers in the commercial and life insurance businesses that are in possession of our collateral. If one or more large nationwide insurers were to fail, the value of our portfolio could be significantly negatively impacted. A significant downgrade in the value of the collateral supporting our premium finance business could impair our ability to create liquidity for this business, which, in turn could negatively impact our ability to expand.

Proposed regulatory changes could significantly reduce loan volume and impair the financial condition of FIFC.

FinCEN has proposed additional AML rules that would require banks to gather and verify additional customer information, including beneficial ownership of borrowers. These requirements, if imposed on FIFC, would likely impose delays in processing premium finance loan applications and may result in transition of loan transaction volume to premium finance companies that are not subject to these AML rules, i.e., premium finance companies that are not affiliated with banks. A material reduction in loan transaction volume would likely impair the financial condition of FIFC. There can be no assurance that the proposed additional AML rules will be issued by FinCEN in final form, when they might become effective, or whether they will apply to FIFC.

Our wealth management business in general, and WHI's brokerage operation, in particular, exposes us to certain risks associated with the securities industry.

Our wealth management business in general, and WHI's brokerage operations in particular, present special risks not borne by community banks that focus exclusively on community banking. For example, the brokerage industry is subject to fluctuations in the stock market that may have a significant adverse impact on transaction fees, customer activity and investment portfolio gains and losses. Likewise, additional or modified regulations may adversely affect our wealth management operations. Each of our wealth management operations is dependent on a small number of professionals whose departure could result in the loss of a significant number of customer accounts. A significant decline in fees and commissions or trading losses suffered in the investment portfolio could adversely affect our results of operations. In addition, we are subject to claim arbitration risk arising from customers who claim their investments were not suitable or that their portfolios were inappropriately traded. These risks increase when the market, as a whole, declines. The risks associated with retail brokerage may not be supported by the income generated by our wealth management operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's executive offices are located at 9700 W. Higgins Road, Rosemont, Illinois. The Company also leases office locations and retail space at 231 S. LaSalle Street in downtown Chicago. The Company's banks operate through 152 banking facilities, the majority of which are owned. The Company owns 224 automatic teller machines, the majority of which are housed at banking locations. The banking facilities are located in communities throughout the Chicago metropolitan area and southern Wisconsin. Excess space in certain properties is leased to third parties.

The Company's wealth management subsidiaries have one location in downtown Chicago, one in Appleton, Wisconsin, and one in Safety Harbor, Florida, all of which are leased, as well as office locations at several of our banks. Wintrust Mortgage is headquartered in our corporate headquarters in Rosemont, Illinois and has 55 locations in 12 states, all of which are leased, as well as office locations at several of our banks. FIFC has one location in Northbrook, Illinois which is owned and locations in Jersey City, New Jersey and Long Island, New York which are leased. FIFC Canada has three locations in Canada that are leased, located in Toronto, Ontario, Mississauga, Ontario and Vancouver, British Columbia. Tricom has one location in Menomonee Falls, Wisconsin which is owned. In addition, the Company owns other real estate acquired for further expansion that, when considered in the aggregate, is not material to the Company's financial position.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries, from time to time, are subject to pending and threatened legal action and proceedings arising in the ordinary course of business.

In accordance with applicable accounting principles, the Company establishes an accrued liability for litigation and threatened litigation actions and proceedings when those actions present loss contingencies which are both probable and estimable. In actions for which a loss is reasonably possible in future periods, the Company determines whether it can estimate a loss or range of possible loss. To determine whether a possible loss is estimable, the Company reviews and evaluates its material litigation on an ongoing basis, in conjunction with any outside counsel handling the matter, in light of potentially relevant factual and legal developments. This review may include information learned through the discovery process, rulings on substantive or dispositive motions, and settlement discussions.

On March 15, 2012, a former mortgage loan originator employed by Wintrust Mortgage Company, named Wintrust, Barrington Bank and its subsidiary, Wintrust Mortgage Company, as defendants in a Fair Labor Standards Act class action lawsuit filed in the U.S. District Court for the Northern District of Illinois. The suit asserts that Wintrust Mortgage Company violated the federal Fair Labor Standards Act and challenges the manner in which Wintrust Mortgage Company classified its loan originators and compensated them for their work. The suit also seeks to assert these claims as a class. On September 30, 2013, the Court entered an order conditionally certifying an "opt-in" class in this case. Notice to the potential class members was sent on or about October 22, 2013, primarily informing the putative class of the right to opt-into the class and setting a deadline for same. Approximately 15% of the notice recipients joined the class. On September 26, 2014, the Court stayed actions by opt-in plaintiffs with arbitration agreements, which reduced the class size by more than 40%. The Court also denied the opt-in plaintiffs' motion for equitable tolling, which the Company anticipates will reduce the class size by an additional 15%. On April 30, 2015, the parties settled the dispute for an immaterial amount and the Court approved the settlement on June 17, 2015.

On January 15, 2015, Lehman Brothers Holdings, Inc. ("Lehman Holdings") sent a demand letter asserting that Wintrust Mortgage must indemnify it for losses arising from loans sold by Wintrust Mortgage to Lehman Brothers Bank, FSB under a Loan Purchase Agreement between Wintrust Mortgage, as successor to SGB Corporation, and Lehman Brothers Bank. The demand was the precursor for triggering the alternative dispute resolution process mandated by the U.S. Bankruptcy Court for the Southern District of New York. Lehman Holdings triggered the mandatory alternative dispute resolution process on October 16, 2015. On February 3, 2016, following a ruling by the federal Court of Appeals for the Tenth Circuit that was adverse to Lehman Holdings on the statute of limitations that is applicable to similar loan purchase claims, Lehman Holdings filed a complaint against Wintrust Mortgage and 150 other entities from which it had purchased loans in the U.S. Bankruptcy Court for the Southern District of New York.

Wintrust Mortgage has not been served with the new complaint. The mandatory mediation is scheduled for March 16, 2016.

The Company has reserved an amount for the Lehman Holdings demand that is immaterial to its results of operations or financial condition. Such litigation and threatened litigation actions necessarily involve substantial uncertainty and it is not possible at this time to predict the ultimate resolution or to determine whether, or to what extent, any loss with respect to these legal proceedings may exceed the amounts reserved by the Company.

On August 28, 2015, Wintrust Mortgage received a demand from RFC Liquidating Trust asserting that that Wintrust Mortgage is liable to it for losses arising from loans sold by Wintrust Mortgage or its predecessors to Residential Funding Company LLC and/or related entities. No litigation has been initiated and the range of liability is not reasonably estimable at this time and it is not foreseeable when sufficient information will become available to provide a basis for recording a reserve, should a reserve ultimately be required.

On August 13, 2015, BMO Harris Financial Advisors ("BHFA") filed an arbitration demand with the FINRA seeking damages and a permanent injunction and a complaint with the Circuit Court for Cook County, Illinois seeking a temporary restraining order against one of its former financial advisors and a current financial advisor with WHI. A narrow and limited temporary injunction was entered and the matter was referred to FINRA for arbitration. In November 2015, BHFA added WHI as a co-defendant in the arbitration action, alleging that WHI tortiously interfered with BHFA's contract with its former financial advisor. As discovery is still in the preliminary stages, the range of liability is not reasonably estimable at this time and it is not foreseeable when sufficient information will become available to provide a basis for recording a reserve, should a reserve ultimately be required. A hearing on the merits has been set for September 12 - 15, 2016.

Based on information currently available and upon consultation with counsel, management believes that the eventual outcome of any pending or threatened legal actions and proceedings will not have a material adverse effect on the operations or financial condition of the Company. However, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the results of operations or financial condition for a particular period.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company’s common stock is traded on The NASDAQ Global Select Stock Market under the symbol WTFC. The following table sets forth the high and low sales prices reported on NASDAQ for the common stock by fiscal quarter during 2015 and 2014.

	2015		2014	
	High	Low	High	Low
Fourth Quarter	$55.00	$47.32	$47.78	$41.99
Third Quarter	55.79	48.83	48.53	44.34
Second Quarter	54.00	46.77	49.46	42.53
First Quarter	48.81	41.04	49.99	42.14

Performance Graph

The following performance graph compares the five-year percentage change in the Company’s cumulative shareholder return on common stock compared with the cumulative total return on composites of (1) all NASDAQ Global Select Market stocks for United States companies (broad market index) and (2) all NASDAQ Global Select Market bank stocks (peer group index). Cumulative total return is computed by dividing the sum of the cumulative amount of dividends for the measurement period and the difference between the Company’s share price at the end and the beginning of the measurement period by the share price at the beginning of the measurement period. The NASDAQ Global Select Market for United States companies’ index comprises all domestic common shares traded on the NASDAQ Global Select Market and the NASDAQ Small-Cap Market. The NASDAQ Global Select Market bank stocks index comprises all banks traded on the NASDAQ Global Select Market and the NASDAQ Small-Cap Market. This graph and other information furnished in the section titled “Performance Graph” under this Part II, Item 5 of this Annual Report on Form 10-K shall not be deemed to be “soliciting” materials or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act, as amended.

	2010	2011	2012	2013	2014	2015
Wintrust Financial Corporation	100.00	84.92	111.11	139.63	141.57	146.90
NASDAQ — Total US	100.00	100.31	116.79	155.90	175.33	176.17
NASDAQ — Bank Index	100.00	74.57	100.48	137.27	153.50	156.89

Approximate Number of Equity Security Holders

As of February 24, 2016 there were approximately 1,702 shareholders of record of the Company’s common stock.

Dividends on Common Stock

The Company’s Board of Directors approved the first semi-annual dividend on the Company’s common stock in January 2000 and continued to approve a semi-annual dividend until quarterly dividends were approved in 2014 and 2015. The payment of dividends is subject to statutory restrictions and restrictions arising under the terms of the Company's 5.00% Non-Cumulative Perpetual Convertible Preferred Stock, Series C (the "Series C Preferred Stock"), the terms of the Company's Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series D (the "Series D Preferred Stock"), the terms of the Company’s Trust Preferred Securities offerings and under certain financial covenants in the Company’s revolving and term facilities. Under the terms of these separate facilities entered into on December 15, 2014 and subsequently amended in December 2015, the Company is prohibited from paying dividends on any equity interests, including its common stock and preferred stock, if such payments would cause the Company to be in default under its facilities or exceed a certain threshold.

The following is a summary of the cash dividends paid in 2015 and 2014:

Record Date	Payable Date	Dividend per Share
November 12, 2015	November 27, 2015	$0.11
August 6, 2015	August 20, 2015	$0.11
May 7, 2015	May 21, 2015	$0.11
February 5, 2015	February 19, 2015	$0.11
November 6, 2014	November 20, 2014	$0.10
August 7, 2014	August 21, 2014	$0.10
May 8, 2014	May 22, 2014	$0.10
February 6, 2014	February 20, 2014	$0.10

On January 28, 2016, Wintrust Financial Corporation announced that the Company’s Board of Directors approved a quarterly cash dividend of $0.12 per share of outstanding common stock. The dividend was paid on February 25, 2016 to shareholders of record as of February 11, 2016.

Because the Company’s consolidated net income consists largely of net income of the banks and certain wealth management subsidiaries, the Company’s ability to pay dividends generally depends upon its receipt of dividends from these entities. The banks’ ability to pay dividends is regulated by banking statutes. See “Supervision and Regulation - Payment of Dividends and Share Repurchases” in Item 1 of this Annual Report on Form 10-K. During 2015, 2014 and 2013, the banks and certain wealth management subsidiaries paid $22.2 million, $77.0 million and $112.8 million, respectively, in dividends to the Company.

Reference is also made to Note 18 to the Consolidated Financial Statements and “Liquidity and Capital Resources” contained in Item 8 of this Annual Report on Form 10-K for a description of the restrictions on the ability of certain subsidiaries to transfer funds to the Company in the form of dividends.

Issuer Purchases of Equity Securities

No purchases of the Company’s common shares were made by or on behalf of the Company or any “affiliated purchaser” as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during the year ended December 31, 2015. There is currently no authorization to repurchase shares of outstanding common stock.

ITEM 6. SELECTED FINANCIAL DATA

	Years Ended December 31,				
(Dollars in thousands, except per share data)	2015	2014	2013	2012	2011
Selected Financial Condition Data (at end of year):					
Total assets	$22,917,166	$20,010,727	$18,097,783	$17,519,613	$15,893,808
Total loans, excluding loans held-for-sale and covered loans	17,118,117	14,409,398	12,896,602	11,828,943	10,521,377
Total deposits	18,639,634	16,281,844	14,668,789	14,428,544	12,307,267
Junior subordinated debentures	268,566	249,493	249,493	249,493	249,493
Total shareholders' equity	2,352,274	2,069,822	1,900,589	1,804,705	1,543,533
Selected Statements of Income Data:					
Net interest income	$641,529	$598,575	$550,627	$519,516	$461,377
Net revenue [1]	913,126	813,815	773,024	745,608	651,075
Net income	156,749	151,398	137,210	111,196	77,575
Net income per common share – Basic	3.05	3.12	3.33	2.81	2.08
Net income per common share – Diluted	2.93	2.98	2.75	2.31	1.67
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Net interest margin [2]	3.36 %	3.53 %	3.50 %	3.49 %	3.42 %
Non-interest income to average assets	1.29	1.15	1.27	1.37	1.27
Non-interest expense to average assets	2.99	2.92	2.88	2.96	2.82
Net overhead ratio [2] [3]	1.70	1.77	1.60	1.59	1.55
Efficiency ratio [2] [4]	68.49	66.89	64.57	65.85	64.58
Return on average assets	0.75	0.81	0.79	0.67	0.52
Return on average common equity [2]	7.15	7.77	7.56	6.60	5.12
Return on average tangible common equity [2]	9.44	10.14	9.93	8.70	6.70
Average total assets	$21,009,773	$18,699,458	$17,468,249	$16,529,617	$14,920,160
Average total shareholders' equity	2,232,989	1,993,959	1,856,706	1,696,276	1,484,720
Average loans to average deposits ratio (excluding covered loans)	92.0 %	89.9 %	88.9 %	87.8 %	88.3 %
Average loans to average deposits ratio (including covered loans)	93.1	91.7	92.1	92.6	92.8
Common Share Data at end of year:					
Market price per common share	$48.52	$46.76	$46.12	$36.70	$28.05
Book value per common share [2]	$43.42	$41.52	$38.47	$37.78	$34.23
Tangible common book value per share [2]	$33.17	$32.45	$29.93	$29.28	$26.72
Common shares outstanding	48,383,279	46,805,055	46,116,583	36,858,355	35,978,349
Other Data at end of year: [7]					

Leverage Ratio	9.1 %	10.2 %	10.5 %	10.0 %	9.4 %
Tier 1 capital to risk-weighted assets	10.0	11.6	12.2	12.1	11.8
Common equity Tier 1 capital to risk-weighted assets	8.4	N/A	N/A	N/A	N/A
Total capital to risk-weighted assets	12.2	13.0	12.9	13.1	13.0
Tangible Common Equity ratio (TCE) (2) (6)	7.2	7.8	7.8	7.4	7.5
Tangible Common Equity ratio, assuming full conversion of preferred stock (2) (6)	7.7	8.4	8.5	8.4	7.8
Allowance for credit losses (5)	$106,349	$92,480	$97,641	$121,988	$123,612
Non-performing loans	84,057	78,677	103,334	118,083	120,084
Allowance for credit losses(5) to total loans, excluding covered loans	0.62 %	0.64 %	0.76 %	1.03 %	1.17 %
Non-performing loans to total loans, excluding covered loans	0.49	0.55	0.80	1.00	1.14
Number of:					
Bank subsidiaries	15	15	15	15	15
Banking offices	152	140	124	111	99

(1) Net revenue includes net interest income and non-interest income

(2) See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures/Ratios,” for a reconciliation of this performance measure/ratio to GAAP.

(3) The net overhead ratio is calculated by netting total non-interest expense and total non-interest income, annualizing this amount, and dividing by that period’s total average assets. A lower ratio indicates a higher degree of efficiency.

(4) The efficiency ratio is calculated by dividing total non-interest expense by tax-equivalent net revenue (less securities gains or losses). A lower ratio indicates more efficient revenue generation.

(5) The allowance for credit losses includes both the allowance for loan losses and the allowance for unfunded lending-related commitments, but excludes the allowance for covered loan losses.

(6) Total shareholders’ equity minus preferred stock and total intangible assets divided by total assets minus total intangible assets.

(7) Asset quality ratios exclude covered loans.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Statements

This document contains forward-looking statements within the meaning of federal securities laws. Forward-looking information can be identified through the use of words such as "intend," "plan," "project," "expect," "anticipate," "believe," "estimate," "contemplate," "possible," "will," "may," "should," "would" and "could." Forward-looking statements and informa not historical facts, are premised on many factors and assumptions, and represent only management's expectations, estimates and projections regarding future events. Similarly, these statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict, which may include, but are not limited to, those listed below and the Risk Factors discussed under Item 1A on page 22 of this Annual Report on Form 10-K, as well as other risks and uncertainties set forth from time to time in the Company's other filings with the SEC. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to the Company's future financial performance, the performance of its loan portfolio, the expected amount of future credit reserves and charge-offs, delinquency trends, growth plans, regulatory developments, securities that the Company may offer from time to time, and management's long-term performance goals, as well as statements relating to the anticipated effects on financial condition and results of operations from expected developments or events, the Company's business and growth strategies, including future acquisitions of banks, specialty finance or wealth management businesses, internal growth and plans to form additional de novo banks or branch offices. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

- negative economic conditions that adversely affect the economy, housing prices, the job market and other factors that may affect the Company's liquidity and the performance of its loan portfolios, particularly in the markets in which it operates;
- the extent of defaults and losses on the Company's loan portfolio, which may require further increases in its allowance for credit losses;
- estimates of fair value of certain of the Company's assets and liabilities, which could change in value significantly from period to period;
- the financial success and economic viability of the borrowers of our commercial loans;
- commercial real estate market conditions in the Chicago metropolitan area and southern Wisconsin;
- the extent of commercial and consumer delinquencies and declines in real estate values, which may require further increases in the Company's allowance for loan and lease losses;
- inaccurate assumptions in our analytical and forecasting models used to manage our loan portfolio;
- changes in the level and volatility of interest rates, the capital markets and other market indices that may affect, among other things, the Company's liquidity and the value of its assets and liabilities;
- competitive pressures in the financial services business which may affect the pricing of the Company's loan and deposit products as well as its services (including wealth management services), which may result in loss of market share and reduced income from deposits, loans, advisory fees and income from other products;
- failure to identify and complete favorable acquisitions in the future or unexpected difficulties or developments related to the integration of the Company's recent or future acquisitions;
- unexpected difficulties and losses related to FDIC-assisted acquisitions, including those resulting from our loss-sharing arrangements with the FDIC;
- any negative perception of the Company's reputation or financial strength;
- ability of the Company to raise additional capital on acceptable terms when needed;
- disruption in capital markets, which may lower fair values for the Company's investment portfolio;
- ability of the Company to use technology to provide products and services that will satisfy customer demands and create efficiencies in operations and to manage risks associated therewith;

- adverse effects on our information technology systems resulting from failures, human error or tampering;
- adverse effects of failures by our vendors to provide agreed upon services in the manner and at the cost agreed, particularly our information technology vendors;
- increased costs as a result of protecting our customers from the impact of stolen debit card information;
- accuracy and completeness of information the Company receives about customers and counterparties to make credit decisions;
- ability of the Company to attract and retain senior management experienced in the banking and financial services industries;
- environmental liability risk associated with lending activities;
- the impact of any claims or legal actions to which the Company is subject, including any effect on our reputation;
- losses incurred in connection with repurchases and indemnification payments related to mortgages and increases in reserves associated therewith;

- the loss of customers as a result of technological changes allowing consumers to complete their financial transactions without the use of a bank;
- the soundness of other financial institutions;
- the expenses and delayed returns inherent in opening new branches and de novo banks;
- examinations and challenges by tax authorities;
- changes in accounting standards, rules and interpretations and the impact on the Company's financial statements;
- the ability of the Company to receive dividends from its subsidiaries;
- a decrease in the Company's regulatory capital ratios, including as a result of further declines in the value of its loan portfolios, or otherwise;
- legislative or regulatory changes, particularly changes in regulation of financial services companies and/or the products and services offered by financial services companies, including those resulting from the Dodd-Frank Act;
- a lowering of our credit rating;
- changes in U.S. monetary policy;
- restrictions upon our ability to market our products to consumers and limitations on our ability to profitably operate our mortgage business resulting from the Dodd-Frank Act;
- increased costs of compliance, heightened regulatory capital requirements and other risks associated with changes in regulation and the current regulatory environment, including the Dodd-Frank Act;
- the impact of heightened capital requirements;
- increases in the Company's FDIC insurance premiums, or the collection of special assessments by the FDIC;
- delinquencies or fraud with respect to the Company's premium finance business;
- credit downgrades among commercial and life insurance providers that could negatively affect the value of collateral securing the Company's premium finance loans;
- the Company's ability to comply with covenants under its credit facility; and
- fluctuations in the stock market, which may have an adverse impact on the Company's wealth management business and brokerage operation.

Therefore, there can be no assurances that future actual results will correspond to these forward-looking statements. The reader is cautioned not to place undue reliance on any forward-looking statement made by the Company. Any such statement speaks only as of the date the statement was made or as of such date that may be referenced within the statement. The Company undertakes no obligation to update any forward-looking statement to reflect the impact of circumstances after the date of this Annual Report on Form 10-K. Persons are advised, however, to consult further disclosures management makes on related subjects in its reports filed with the Securities and Exchange Commission and in its press releases.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion highlights the significant factors affecting the operations and financial condition of Wintrust for the three years ended December 31, 2015. This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, and Selected Financial Highlights appearing elsewhere within this Annual Report on Form 10-K.

OPERATING SUMMARY

Wintrust's key measures of profitability and balance sheet changes are shown in the following table:

	Years Ended December 31,					% or Basis Point (bp)change	% or Basis Point (bp)change
(Dollars in thousands, except per share data)	2015		2014		2013	2014 to 2015	2013 to 2014
Net income	$156,749		$151,398		$137,210	4%	10%
Net income per common share — Diluted	2.93		2.98		2.75	(2)	8
Net revenue (1)	913,126		813,815		773,024	12	5
Net interest income	641,529		598,575		550,627	7	9
Net interest margin (2)	3.36	%	3.53	%	3.50 %	(17) bp	3 bp
Net overhead ratio (2) (3)	1.70		1.77		1.60	(7)	17
Efficiency ratio (2) (4)	68.49		66.89		64.57	160	232
Return on average assets	0.75		0.81		0.79	(6)	2
Return on average common equity(2)	7.15		7.77		7.56	(62)	21
Return on average tangible common equity (2)	9.44		10.14		9.93	(70)	21
At end of period							
Total assets	$22,917,166		$20,010,727		$18,097,783	15%	11%
Total loans, excluding loans held-for-sale, excluding covered loans	17,118,117		14,409,398		12,896,602	19	12
Total loans, including loans held-for-sale, excluding covered loans	17,506,155		14,760,688		13,230,929	19	12
Total deposits	18,639,634		16,281,844		14,668,789	14	11
Total shareholders' equity	2,352,274		2,069,822		1,900,589	14	9
Tangible common equity ratio (TCE) (2)(6)	7.2	%	7.8	%	7.8 %	(60) bp	0 bp
Tangible common equity ratio, assuming full conversion of preferred stock (2)(6)	7.7		8.4		8.5	(70) bp	(10) bp
Book value per common share (2)	$43.42		$41.52		$38.47	5%	8%
Tangible common book value per common share (2)	33.17		32.45		29.93	2	8
Market price per common share	48.52		46.76		46.12	4	1
Excluding covered loans:							
Allowance for credit losses to total loans(5)	0.62	%	0.64	%	0.76 %	(2) bp	(12) bp
Non-performing loans to total loans	0.49		0.55		0.80	(6) bp	(25) bp

(1) Net revenue is net interest income plus non-interest income.

(2) See “Non-GAAP Financial Measures/Ratios” for additional information on this performance measure/ratio.

(3) The net overhead ratio is calculated by netting total non-interest expense and total non-interest income, annualizing this amount, and dividing by that period’s total average assets. A lower ratio indicates a higher degree of efficiency.

(4) The efficiency ratio is calculated by dividing total non-interest expense by tax-equivalent net revenues (less securities gains or losses). A lower ratio indicates more efficient revenue generation.

(5) The allowance for credit losses includes both the allowance for loan losses and the allowance for lending-related commitments, but excludes the allowance for covered loan losses.

(6) Total shareholders' equity minus preferred stock and total intangible assets divided by total assets minus total intangible assets.

Please refer to the Consolidated Results of Operations section later in this discussion for an analysis of the Company’s operations for the past three years.

NON-GAAP FINANCIAL MEASURES/RATIOS

The accounting and reporting policies of Wintrust conform to generally accepted accounting principles ("GAAP") in the United States and prevailing practices in the banking industry. However, certain non-GAAP performance measures and ratios are used by management to evaluate and measure the Company's performance. These include taxable-equivalent net interest income (including its individual components), net interest margin (including its individual components), the efficiency ratio, tangible common equity ratio, tangible common book value per share and return on average tangible common equity. In addition, certain operating measures and ratios are adjusted for acquisition and non-operating compensation charges. These operating measures and ratios include operating net income, the efficiency ratio, the net overhead ratio, return on average assets, return on average common equity, return on average tangible common equity and net income per diluted common share. Management believes that these measures and ratios provide users of the Company's financial information a more meaningful view of the performance of the interest-earning assets and interest-bearing liabilities and of the Company's operating efficiency. Other financial holding companies may define or calculate these measures and ratios differently.

Management reviews yields on certain asset categories and the net interest margin of the Company and its banking subsidiaries on a fully taxable-equivalent ("FTE") basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a FTE basis is also used in the calculation of the Company's efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce one dollar of revenue. Securities gains or losses are excluded from this calculation to better match revenue from daily operations to operational expenses. Management considers the tangible common equity ratio and tangible book value per common share as useful measurements of the Company's equity. The Company references the return on average tangible common equity as a measurement of profitability. Management considers operating net income, which is reported net income excluding acquisition and non-operating compensation charges, as a useful measure of operating performance. Acquisition related charges are specific costs incurred by the Company as a result of an acquisition that are not expected to continue in subsequent periods. Non-operating compensation charges are certain salary and employee benefit costs incurred that are not related to current operating services provided by employees of the Company. The Company excludes acquisition and non-operating compensation charges from reported net income as well as certain operating measures and ratios noted above to provide better comparability between periods.

The following table presents a reconciliation of certain non-GAAP performance measures and ratios used by the Company to evaluate and measure the Company's performance to the most directly comparable GAAP financial measures for the last five years.

	Years Ended December 31,				
(Dollars and shares in thousands, except per share data)	2015	2014 (1)	2013 (1)	2012 (1)	2011 (1)
Calculation of Net Interest Margin and Efficiency Ratio					
(A) Interest Income (GAAP)	$718,464	$671,267	$630,709	$627,021	$605,793
Taxable-equivalent adjustment:					
-Loans	1,431	1,128	842	576	458
-Liquidity management assets	3,221	2,000	1,407	1,363	1,224
-Other earning assets	57	41	11	8	12
Interest Income — FTE	$723,173	$674,436	$632,969	$628,968	$607,487
(B) Interest Expense (GAAP)	76,935	72,692	80,082	107,505	144,416
Net interest income — FTE	$646,238	$601,744	$552,887	$521,463	$463,071
(C) Net Interest Income (GAAP) (A minus B)	$641,529	$598,575	$550,627	$519,516	$461,377
(D) Net interest margin (GAAP-derived)	3.34 %	3.51 %	3.49 %	3.47 %	3.41 %
Net interest margin — FTE	3.36	3.53	3.50	3.49	3.42
(E) Efficiency ratio (GAAP-derived)	68.84	67.15	64.76	66.02	64.75
Efficiency ratio — FTE	68.49	66.89	64.57	65.85	64.58
Efficiency ratio - Adjusted for acquisition and non-operating compensation charges	67.01	66.89	64.57	65.85	64.58
(F) Net overhead ratio (GAAP)	1.70	1.77	1.60	1.59	1.55
Net Overhead Ratio - Adjusted for acquisition and non-operating compensation charges	1.63	1.77	1.60	1.59	1.55
Calculation of Tangible Common Equity ratio (at period end)					
Total shareholders' equity	$2,352,274	$2,069,822	$1,900,589	$1,804,705	$1,543,533
(G) Less: Convertible preferred stock	(126,287)	(126,467)	(126,477)	(176,406)	(49,768)
Less: Non-convertible preferred stock	(125,000)	—	—	—	—
Less: Intangible assets	(495,970)	(424,445)	(393,760)	(366,348)	(327,538)
(H) Total tangible common shareholders' equity	$1,605,017	$1,518,910	$1,380,352	$1,261,951	$1,166,227
Total assets	$22,917,166	$20,010,727	$18,097,783	$17,519,613	$15,893,808
Less: Intangible assets	(495,970)	(424,445)	(393,760)	(366,348)	(327,538)
(I) Total tangible assets	$22,421,196	$19,586,282	$17,704,023	$17,153,265	$15,566,270
Tangible common equity ratio (H/I)	7.2 %	7.8 %	7.8 %	7.4 %	7.5 %
Tangible common equity ratio, assuming full conversion of preferred stock ((H-G)/I)	7.7	8.4	8.5	8.4	7.8

Calculation of book value per common share					
Total shareholders' equity	$2,352,274	$2,069,822	$1,900,589	$1,804,705	$1,543,533
Less: Preferred stock	(251,287)	(126,467)	(126,477)	(176,406)	(49,768)
(J) Total common equity	$2,100,987	$1,943,355	$1,774,112	$1,628,299	$1,493,765
Actual common shares outstanding	48,383	46,805	46,117	36,858	35,978
Add: TEU conversion shares	—	—	—	6,241	7,666
(K) Common shares used for book value calculation	48,383	46,805	46,117	43,099	43,644
Book value per common share (J/K)	$43.42	$41.52	$38.47	$37.78	$34.23
Tangible common book value per share (H/K)	33.17	32.45	29.93	29.28	26.72

	Years Ended December 31,				
(Dollars and shares in thousands, except per share data)	2015	2014 [1]	2013 [1]	2012 [1]	2011 [1]
Calculation of return on average assets					
(L) Net income	$156,749	$151,398	$137,210	$111,196	$77,575
Add: Acquisition and non-operating compensation charges, net of tax	8,987	—	—	—	—
(M) Operating net income	$165,736	$151,398	$137,210	$111,196	$77,575
(N) Total average assets	$21,009,773	$18,699,458	$17,468,249	$16,529,617	$14,920,160
Return on average assets, annualized (L/N)	0.75 %	0.81 %	0.79 %	0.67 %	0.52 %
Return on average assets, adjusted for acquisition and non-operating compensation charges (M/N)	0.79	0.81	0.79	0.67	0.52
Calculation of return on average common equity					
(O) Net income applicable to common shares	$145,880	$145,075	$128,815	$102,103	$73,447
(P) Add: Acquisition and non-operating compensation charges, net of tax	8,987	—	—	—	—
(Q) Add: After-tax intangible asset amortization	2,879	2,881	2,828	2,668	2,076
(R) Tangible operating net income applicable to common shares	$157,746	$147,956	$131,643	$104,771	$75,523
Total average shareholders' equity	$2,232,989	$1,993,959	$1,856,706	$1,696,276	$1,484,720
Less: Average preferred stock	(191,416)	(126,471)	(153,724)	(149,373)	(49,701)
(S) Total average common shareholders' equity	$2,041,573	$1,867,488	$1,702,982	$1,546,903	$1,435,019
Less: Average intangible assets	(466,225)	(408,642)	(376,762)	(342,969)	(307,298)
(T) Total average tangible common shareholders' equity	$1,575,348	$1,458,846	$1,326,220	$1,203,934	$1,127,721
Return on average common equity (O/S)	7.15 %	7.77 %	7.56 %	6.60 %	5.12 %
Return on average common equity, adjusted for acquisition and non-operating compensation charges ((O+P)/S)	7.59	7.77	7.56	6.60	5.12
Return on average tangible common equity ((O+Q)/T)	9.44	10.14	9.93	8.70	6.70
Return on average tangible common equity, adjusted for acquisition and non-operating compensation charges (R/T)	10.01	10.14	9.93	8.70	6.70
Calculation of net income per common share - diluted					
	$152,194	$151,398	$137,140	$111,058	$73,447

(U) Net income applicable to common shares - Diluted					
Add: Acquisition and non-operating compensation charges, net of tax	8,987	—	—	—	—
(V) Net income applicable to common shares - Diluted, adjusted for acquisition and non-operating compensation charges	$161,186	$151,398	$137,140	$111,058	$73,447
Weighted average common shares and effect of dilutive potential common shares (W)	51,937	50,845	49,948	48,034	43,991
Net income per common share - Diluted (U/W)	$2.93	$2.98	$2.75	$2.31	$1.67
Net income per common share - Diluted, adjusted for acquisition and non-operating compensation charges (V/W)	3.10	2.98	2.75	2.31	1.67

(1) The Company considers acquisition and non-operating compensation charges incurred prior to 2015 to be insignificant.

OVERVIEW AND STRATEGY

2015 Highlights

The Company recorded net income of $156.7 million for the year of 2015 compared to $151.4 million and $137.2 million for the years of 2014 and 2013, respectively. The results for 2015 demonstrate continued operating strengths including strong loan and deposit growth driving higher net interest income, increased mortgage banking revenue, higher fees from covered call options and customer interest rate swaps and stable credit quality metrics.

The Company increased its loan portfolio, excluding covered loans, from $14.4 billion at December 31, 2014 to $17.1 billion at December 31, 2015. This increase was primarily a result of the Company’s commercial banking initiative, growth in the commercial real estate and life insurance premium finance receivables portfolios and acquisitions during the period. The Company is focused on making new loans, including in the commercial and commercial real estate sector, where opportunities that meet our underwriting standards exist. For more information regarding changes in the Company’s loan portfolio, see “Analysis of Financial Condition – Interest Earning Assets” and Note 4 “Loans” of the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K.

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during 2015, the Company continued its practice of maintaining appropriate funding capacity to provide the Company with adequate liquidity for its ongoing operations. In this regard, the Company benefited from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources including the issuance of the Series D Preferred Stock (as defined below) in 2015. At December 31, 2015, the Company had overnight liquid funds and interest-bearing deposits with banks of $883.6 million compared to $1.2 billion at December 31, 2014.

The Company recorded net interest income of $641.5 million in 2015 compared to $598.6 million and $550.6 million in 2014 and 2013, respectively. The higher level of net interest income recorded in 2015 compared to 2014 resulted primarily from a $2.1 billion increase in the balance of average loans, excluding covered loans. The increase in average loans, excluding covered loans, was partially offset by a 20 basis point decline in the yield on earning assets as well as an increase in borrowings under the Company's term credit facility in 2015 and an increase in borrowings from the issuance of subordinated debt and the completion of the Canadian secured borrowing transaction in 2014.

Non-interest income totaled $271.6 million in 2015, increasing $56.4 million, or 26%, compared to 2014. The increase in non-interest income in 2015 compared to 2014 was primarily attributable to an increase in mortgage banking revenues, higher fees from covered call options, higher fees from customer interest rate swap fees and an increase in service charges on deposits (see "Non-Interest Income" section later in this Item 7 for further detail).

Non-interest expense totaled $628.4 million in 2015, increasing $81.6 million, or 15%, compared to 2014. The increase compared to 2014 was primarily attributable to $14.0 million in acquisition and non-operating compensation charges, $42.0 million increase in salaries and employee benefits, increased equipment and occupancy, data processing and professional fees, and higher marketing expenses, partially offset by a reduction in OREO expenses. The increase in salaries and employee benefits was, specifically, attributable to a $17.2 million increase in salaries resulting from additional employees from acquisitions and larger staffing as the Company grew, a $16.5 million increase in commissions and incentive compensation primarily attributable to the Company's long-term incentive program, and an $8.3 million increase in employee benefits due to higher insurance costs.

The Current Economic Environment

The economic environment in 2015 was characterized by continued low interest rates and continued competition as banks have experienced improvements in their financial condition allowing them to be more active in the lending market. The Company has employed certain strategies to manage net income in the current rate environment, including those discussed below.

Net Interest Income

The Company has leveraged its internal loan pipeline and external growth opportunities to grow its earning assets base. The Company has also continued its efforts to shift a greater portion of its deposit base to non-interest bearing deposits. These deposits as a percentage of total deposits were 26% on December 31, 2015 as compared to 22% on December 31, 2014. In 2015, the Company's net interest margin declined to 3.36% as compared to 3.53% in 2014 primarily as a result of a reduction in loan yields due to pricing pressures, run-off of the covered loan portfolio, an increase in borrowings under the Company's term credit facility in 2015 as well as the issuance of subordinated debt and the completion of the Canadian secured borrowing transaction in 2014. However, as a result of the growth in earning assets and improvement in funding mix, the Company increased net interest income by $43.0 million in 2015 compared to 2014.

The Company has continued its practice of writing call options against certain U.S. Treasury and Agency securities to economically hedge the securities positions and receive fee income to compensate for net interest margin compression. In 2015, the Company recognized $15.4 million in fees on covered call options.
In preparation for a rising rate environment, the Company, having the ability and positive intent to hold certain securities until maturity, transferred $862.7 million of securities from available-for-sale classification to held-to-maturity classification in 2015. For more information see Note 3 “Investment Securities” of the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K.
The Company utilizes “back to back” interest rate derivative transactions, primarily interest rate swaps, to receive floating rate interest payments related to customer loans. In these arrangements, the Company makes a floating rate loan to a borrower who prefers to pay a fixed rate. To accommodate the risk management strategy of certain qualified borrowers, the Company enters a swap with its borrower to effectively convert the borrower's variable rate loan to a fixed rate. However, in order to minimize the Company's exposure on these transactions and continue to receive a floating rate, the Company simultaneously executes an offsetting mirror-image swap with a third party.
Non-Interest Income
In preparation for a rising rate environment, the Company has purchased interest rate cap contracts to offset the negative impact on the net interest margin in a rising rate environment caused by the repricing of variable rate liabilities and lack of repricing of fixed rate loans and securities. As of December 31, 2015, the Company held four interest rate cap derivatives with a total notional value of $446.5 million which are not designated as accounting hedges but are considered to be an economic hedge for the potential rise in interest rates. Because these are not accounting hedges, fluctuations in the fair value of the caps are recorded in earnings. In 2015, the Company recognized $934,000 in trading losses related to the mark to market of these interest rate caps. For more information see Note 20 “Derivative Financial Instruments” of the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K.
The interest rate environment impacts the profitability and mix of the Company's mortgage banking business which generated revenues of $115.0 million in 2015 and $91.6 million in 2014, representing 13% of total net revenue in 2015 and 11% in 2014. Mortgage banking revenue is primarily comprised of gains on sales of mortgage loans originated for new home purchases as well as mortgage refinancing. Mortgage banking revenue is partially offset by corresponding commission and overhead costs. Mortgage originations totaled $3.9 billion and $3.2 billion in 2015 and 2014, respectively. In 2015, approximately 61% of originations were mortgages associated with new home purchases while 39% of originations were related to refinancing of mortgages. Assuming the housing market continues to improve and interest rates rise, we expect a higher percentage of originations to be attributed to new home purchases.
Non-Interest Expense
Management believes expense management is important amid the low interest rate environment and increased competition to enhance profitability. Cost control and an efficient infrastructure should position the Company appropriately as it continues its growth strategy. Management continues to be disciplined in its approach to growth and plans to leverage the Company's existing expense infrastructure to expand its presence in existing and complimentary markets.
Potentially impacting the cost control strategies discussed above, the Company anticipates increased costs resulting from the changing regulatory environment in which we operate. We have already experienced increases in compliance-related costs and we expect that compliance with the Dodd-Frank Act and its implementing regulations will require us to invest significant additional management attention and resources.
Credit Quality
The Company's credit quality metrics remained relatively stable in 2015 compared to 2014. The Company continues to actively address non-performing assets and remains disciplined in its approach to grow without sacrificing asset quality. Management primarily reviews credit quality excluding covered loans as those loans are obtained through FDIC-assisted acquisitions and therefore potential credit losses are subject to indemnification by the FDIC.
In particular:

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The Company’s 2015 provision for credit losses, excluding covered loans, totaled $33.7 million, compared to $22.9 million in 2014 and $46.0 million in 2013. Net charge-offs, excluding covered loans, decreased to $19.2 million in 2015 (of which $6.5 million related to commercial and commercial real estate loans), compared to $27.2 million in 2014 (of which $17.4 million related to commercial and commercial real estate loans) and $56.1 million in 2013 (of which $42.7 million related to commercial and commercial real estate loans).

- The Company's allowance for loan losses, excluding covered loans, increased to $105.4 million at December 31, 2015, reflecting an increase of $13.7 million, or 15%, when compared to 2014. At December 31, 2015, approximately $43.8 million, or 42%, of the allowance for loan losses, excluding covered loans, was associated with commercial real estate loans and another $36.1 million, or 34%, was associated with commercial loans.

- The Company has significant exposure to commercial real estate. At December 31, 2015, $5.5 billion, or 32%, of our loan portfolio, excluding covered loans, was commercial real estate, with more than 91% located in our market area. The commercial real estate loan portfolio, excluding purchased credit impaired ("PCI") loans, was comprised of $437.1 million related to land, residential and commercial construction, $863.0 million related to office buildings loans, $868.4 million related to retail loans, $727.6 million related to industrial use, $742.3 million related to multi-family loans and $1.7 billion related to mixed use and other use types. In analyzing the commercial real estate market, the Company does not rely upon the assessment of broad market statistical data, in large part because the Company’s market area is diverse and covers many communities, each of which is impacted differently by economic forces affecting the Company’s general market area. As such, the extent of the decline in real estate valuations can vary meaningfully among the different types of commercial and other real estate loans made by the Company. The Company uses its multi-chartered structure and local management knowledge to analyze and manage the local market conditions at each of its banks. As of December 31, 2015, the Company had approximately $26.6 million of non-performing commercial real estate loans representing approximately 0.5% of the total commercial real estate loan portfolio.

- Total non-performing loans (loans on non-accrual status and loans more than 90 days past due and still accruing interest), excluding covered loans, were $84.1 million (of which $26.6 million, or 32%, was related to commercial real estate) at December 31, 2015, an increase of $5.4 million compared to December 31, 2014.

- The Company’s other real estate owned, excluding covered other real estate owned, decreased by $1.7 million, to $43.9 million during 2015, from $45.6 million at December 31, 2014. The decrease in other real estate owned is primarily a result of disposals during 2015. The $43.9 million of other real estate owned as of December 31, 2015 was comprised of $29.7 million of commercial real estate property, $11.3 million of residential real estate property and $2.9 million of residential real estate development property.

During 2015, management continued its efforts to aggressively resolve problem loans through liquidation, rather than retention of loans or real estate acquired as collateral through the foreclosure process. Since 2009, the Company has attempted to liquidate as many non-performing loans and assets as possible. Management believes these actions will serve the Company well in the future by providing some protection for the Company from further valuation deterioration and permitting Management to spend less time on resolution of problem loans and more time on growing the Company’s core business and the evaluation of other opportunities presented by this volatile economic environment.

Management continues to direct significant attention toward the prompt identification, management and resolution of problem loans. The Company has restructured certain loans by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At December 31, 2015, approximately $51.9 million in loans had terms modified, with $42.7 million of these modified loans continuing in accruing status. See Note 5 – Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans of the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K for additional discussion of restructured loans.

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. The Company’s practice is generally not to retain long-term fixed rate mortgages on its balance sheet in order to mitigate interest rate risk, and consequently sells most of such mortgages into the secondary market. These agreements provide recourse to investors through certain representations concerning credit information, loan documentation, collateral and insurability. Investors request the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. An increase in requests for loss indemnification can negatively impact mortgage banking revenue as additional recourse expense. The liability for estimated losses on repurchase and indemnification claims for residential mortgage loans previously sold to investors was $4.0 million and $3.1 million at December 31, 2015 and 2014, respectively.

Community Banking

Through our community banking franchise, we provide banking and financial services primarily to individuals, small to mid-sized businesses, local governmental units and institutional clients residing primarily in the local areas we service. Profitability of this franchise is primarily driven by our net interest income and margin, our funding mix and related costs, the level of non-performing loans and other real estate owned, the amount of mortgage banking revenue and our history of acquiring banking operations and establishing de novo banks.

Net interest income and margin. The primary source of our revenue is net interest income. Net interest income is the difference between interest income and fees on earning assets, such as loans and securities, and interest expense on liabilities to fund those assets, including deposits and other borrowings. Net interest income can change significantly from period to period based on general levels of interest rates, customer prepayment patterns, the mix of interest-earning assets and the mix of interest-bearing and non-interest bearing deposits and borrowings.

Funding mix and related costs. The most significant source of funding in community banking is core deposits, which are comprised of non-interest bearing deposits, non-brokered interest-bearing transaction accounts, savings deposits and domestic time deposits. Our branch network is the principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Community banking profitability has been bolstered in recent years as the Company funded strong loan growth with a more desirable blend of funds. Additionally, non-interest bearing deposits have grown as a result of the Company's commercial banking initiative and fixed term certificates of deposits have been running off and renewing at lower rates.

Level of non-performing loans and other real estate owned. The level of non-performing loans and other real estate owned can significantly impact our profitability as these loans and other real estate owned do not accrue any income, can be subject to charge-offs and write-downs due to deteriorating market conditions and generally result in additional legal and collections expenses. The Company's credit quality measures have improved in recent years.

Mortgage banking revenue. Our community banking franchise is also influenced by the level of fees generated by the origination of residential mortgages and the sale of such mortgages into the secondary market by Wintrust Mortgage. The Company recognized an increase of $23.4 million in mortgage banking revenue in 2015 compared to 2014 as a result of higher origination volumes in 2015. Mortgage originations totaled $3.9 billion and $3.2 billion in 2015 and 2014, respectively.

Expansion of banking operations. Our historical financial performance has been affected by costs associated with growing market share in deposits and loans, establishing and acquiring banks, opening new branch facilities and building an experienced management team. Our financial performance generally reflects the improved profitability of our banking subsidiaries as they mature, offset by the costs of establishing and acquiring banks and opening new branch facilities. From our experience, it generally takes over 13 months for new banks to achieve operational profitability depending on the number and timing of branch facilities added.

In determining the timing of the opening of additional branches of existing banks, and the acquisition of additional banks, we consider many factors, particularly our perceived ability to obtain an adequate return on our invested capital driven largely by the then existing cost of funds and lending margins, the general economic climate and the level of competition in a given market. While expansion activity from 2007 through 2009 had been at a level below earlier periods in our history, we resumed the formation of additional branches and acquisitions of additional banks starting in 2010. See discussion of 2015 and 2014 acquisition activity in the "Recent Acquisition Transactions" section below.

In addition to the factors considered above, before we engage in expansion through de novo branches we must first make a determination that the expansion fulfills our objective of enhancing shareholder value through potential future earnings growth and enhancement of the overall franchise value of the Company. Generally, we believe that, in normal market conditions, expansion through de novo growth is a better long-term investment than acquiring banks because the cost to bring a de novo location to profitability is generally substantially less than the premium paid for the acquisition of a healthy bank. Each opportunity to expand is unique from a cost and benefit perspective. Both FDIC-assisted and non-FDIC-assisted acquisitions offer a unique opportunity for the Company to expand into new and existing markets in a non-traditional manner. Potential acquisitions are reviewed in a similar manner as a de novo branch opportunities, however, FDIC-assisted and non-FDIC-assisted acquisitions have the ability to immediately enhance shareholder value. Factors including the valuation of our stock, other economic market conditions, the size and scope of the particular expansion opportunity and competitive landscape all influence the decision to expand via de novo growth or through acquisition.

Specialty Finance

Through our specialty finance segment, we offer financing of insurance premiums for businesses and individuals; accounts receivable financing, value-added, out-sourced administrative services; and other specialty finance businesses.

Financing of Commercial Insurance Premiums

The primary driver of profitability related to the financing of commercial insurance premiums is the net interest spread that FIFC and FIFC Canada can produce between the yields on the loans generated and the cost of funds allocated to the business unit. The commercial insurance premium finance business is a competitive industry and yields on loans are influenced by the market rates offered by our competitors. The majority of loans originated by FIFC are purchased by the banks in order to more fully utilize their lending capacity as these loans generally provide the banks with higher yields than alternative investments.We fund these loans primarily through our deposits, the cost of which is influenced by competitors in the retail banking markets in our market area.

Financing of Life Insurance Premiums

As with the commercial premium finance business, the primary driver of profitability related to the financing of life insurance premiums is the net interest spread that FIFC can produce between the yields on the loans generated and the cost of funds allocated to the business unit. Profitability of financing both commercial and life insurance premiums is also meaningfully impacted by leveraging information technology systems, maintaining operational efficiency and increasing average loan size, each of which allows us to expand our loan volume without significant capital investment.

Wealth Management

We offer a full range of wealth management services including trust and investment services, asset management solutions, securities brokerage services, and 401(k) and retirement plan services through three separate subsidiaries (WHI, CTC and Great Lakes Advisors).

The primary drivers of profitability of the wealth management business can be associated with the level of commission received related to the trading performed by the brokerage customers for their accounts and the amount of assets under management for which investments, asset management and trust units receive a management fee for advisory, administrative and custodial services. As such, revenues are influenced by a rise or fall in the debt and equity markets and the resulting increase or decrease in the value of our client accounts on which our fees are based. The commissions received by the brokerage unit are not as directly influenced by the directionality of the debt and equity markets but rather the desire of our customers to engage in trading based on their particular situations and outlooks of the market or particular stocks and bonds. Profitability in the brokerage business is impacted by commissions which fluctuate over time.

Financial Regulatory Reform

The Dodd-Frank Act contains a comprehensive set of provisions designed to govern the practices and oversight of financial institutions and other participants in the financial markets. Our banking regulators have introduced, and continue to introduce, new regulations, supervisory guidance, and enforcement actions related to the Dodd-Frank Act. We are unable to predict the nature, extent, or impact of any additional changes to statutes or regulations, including the interpretation, implementation, or enforcement thereof, which may occur in the future.

The exact impact of the changing regulatory environment on our business and operations depends upon the final implementing regulations and the actions of our competitors, customers, and other market participants. However, the changes mandated by the Dodd-Frank Act, as well as other possible legislative and regulatory changes, generally could have a significant impact on us by, for example, requiring us to change our business practices; requiring us to meet more stringent capital, liquidity and leverage ratio requirements; limiting our ability to pursue business opportunities; imposing additional costs and compliance obligations on us; limiting fees we can charge for services; impacting the value of our assets; or otherwise adversely affecting our businesses and our earnings' capabilities. We have already experienced significant increases in compliance related costs and we expect that compliance with the Dodd-Frank Act and its implementing regulations will require us to invest significant additional management attention and resources. We will continue to monitor the impact that the implementation of applicable rules, regulations and policies arising out of the Dodd-Frank Act will have on our organization.

Recent Rules Regarding Mortgage Origination and Servicing

The CFPB has indicated that the mortgage industry is an area of supervisory focus. In 2013, the CFPB released final regulations governing a wide variety of mortgage origination and servicing practices to implement provisions of the Dodd-Frank Act. Among other things, these regulations require mortgage lenders to assess and verify borrowers' "ability to pay" and establish a safe harbor for mortgages that meet certain criteria. For mortgages that do not meet the safe harbor's criteria, the Dodd-Frank Act provides for enhanced liability for the mortgage lender as well as assignees. The CFPB's new regulations also cover compensation of loan officers and brokers, escrow accounts for payment of taxes and insurance, mortgage billing statements, force-placed insurance, and servicing practices with respect to delinquent borrowers and loss mitigation procedures. We have centralized our mortgage origination and servicing operations and implemented compliance programs for each of these new requirements as applicable to our business.

For further discussion of the rules related to mortgage origination and servicing and our compliance see “Business - Supervision and Regulation.”

In addition to changes to the specific regulations governing our mortgage business, regulatory enforcement policies remain an important consideration in the operation of our business. In 2012, for example, the largest mortgage lenders and servicers entered into settlements with federal and state regulators regarding mortgage origination and servicing practices. While the Company and

the banks (including the Wintrust Mortgage division of Barrington Bank) were not parties to these settlements, and are not subject to examination by the CFPB, the terms of the settlements may influence regulators' future actions and expectations of mortgage lenders generally.
There are additional proposals to further amend some of these statutes and their implementing regulations, and there may be additional proposals or final amendments in 2016 or beyond. For example, proposals to reform the residential mortgage market may include changes to the operations of Fannie Mae and Freddie Mac (including potential winding down of operations), and reduction of mortgage loan products available in Federal Housing Administration programs.
Developments Related to Capital
In July 2013, the U.S. federal banking agencies approved sweeping regulatory capital reforms and promulgated rules effecting changes required by the Dodd-Frank Act and implementing the international capital accord known as Basel III. In contrast to capital requirements historically, which were in the form of guidelines, Basel III was released in the form of regulations by each of the federal regulatory agencies. Basel III is applicable to all financial institutions that are subject to minimum capital requirements, including federal and state banks and savings and loan associations, as well as to bank and savings and loan holding companies other than “small bank holding companies” (generally bank holding companies with consolidated assets of less than $1 billion).
Basel III not only increased most of the required minimum capital ratios as of January 1, 2015, but it introduced the concept of “Common Equity Tier 1 Capital,” which consists primarily of common stock, related surplus (net of Treasury stock), retained earnings, and Common Equity Tier 1 minority interests, subject to certain regulatory adjustments. Basel III also established more stringent criteria for instruments to be considered “Additional Tier 1 Capital” (Tier 1 capital in addition to Common Equity) and Tier 2 capital. A number of instruments that qualified as Tier 1 capital will not qualify, or their qualifications will change. For example, cumulative preferred stock and certain hybrid capital instruments, including trust preferred securities, will no longer qualify as Tier 1 capital of any kind, with the exception, subject to certain restrictions, of such instruments issued before May 10, 2010, by bank holding companies with total consolidated assets of less than $15 billion as of December 31, 2009. For those institutions, trust preferred securities and other nonqualifying capital instruments previously included in consolidated Tier 1 capital were permanently grandfathered under Basel III, subject to certain restrictions. Noncumulative perpetual preferred stock, which formerly qualified as simple Tier 1 capital, will not qualify as Common Equity Tier 1 capital, but will instead qualify as Additional Tier 1 capital. Basel III also constrained the inclusion of minority interests, mortgage-servicing assets, and deferred tax assets in capital and requires deductions from Common Equity Tier 1 capital in the event that such assets exceed a certain percentage of a banking institution’s Common Equity Tier 1 capital.
As of January 1, 2015, Basel III required:
- A new minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5%;
- An increase in the minimum required amount of Additional Tier 1 capital to 6% of risk-weighted assets;
- A continuation of the current minimum required amount of Total capital (Tier 1 plus Tier 2) at 8% of risk-weighted assets; and
- A minimum leverage ratio of Tier 1 capital to total assets equal to 4% in all circumstances.

Basel III maintained the general structure of the prompt corrective action framework (a framework that denominates levels of decreasing capital and requires corresponding regulatory actions), while incorporating the increased requirements and adding the Common Equity Tier 1 capital ratio. In order to be “well-capitalized” under the new regime, a depository institution must maintain a Common Equity Tier 1 capital ratio of 6.5% or more; an Additional Tier 1 capital ratio of 8% or more; a Total capital ratio of 10% or more; and a leverage ratio of 5% or more.
In addition, institutions that seek the freedom to make capital distributions (including for dividends and repurchases of stock) and pay discretionary bonuses to executive officers without restriction must also maintain 2.5% of risk-weighted assets in Common Equity Tier 1 attributable to a capital conservation buffer to be phased in over three years beginning in 2016. The purpose of the conservation buffer is to ensure that banking institutions maintain a buffer of capital that can be used to absorb losses during periods of financial and economic stress. Factoring in the fully phased-in conservation buffer increases the minimum ratios depicted above to 7% for Common Equity Tier 1, 8.5% for Tier 1 capital and 10.5% for total capital. The leverage ratio is not impacted by the conservation buffer, and a banking institution may be considered well-capitalized while remaining out of compliance with the capital

conservation buffer.

Not only did Basel III change the components and requirements of capital, but, for nearly every class of financial assets, Basel III requires a more complex, detailed and calibrated assessment of credit risk and calculation of risk weightings. While Basel III would have changed the risk weighting for residential mortgage loans based on loan-to-value ratios and certain product and underwriting characteristics, there was concern in the United States that the proposed methodology for risk weighting residential mortgage exposures and the higher risk weightings for certain types of mortgage products would increase costs to consumers and reduce their access to mortgage credit. As a result, Basel III did not effect this change, and banking institutions will continue to apply a risk weight of 50% or 100% to their exposure from residential mortgages. Furthermore, there was significant concern noted by the financial industry in connection with the Basel III rulemaking as to the proposed treatment of accumulated other comprehensive income ("AOCI"). Basel III requires unrealized gains and losses on available-for-sale securities to flow through to regulatory capital as opposed to the previous treatment, which neutralized such effects. Recognizing the problem for community banks, the U.S. bank regulatory agencies adopted Basel III with a one-time election for smaller institutions like the Company and our subsidiary banks to opt out of including most elements of AOCI in regulatory capital. This opt-out, which was made in conjunction with the filing of the bank's call reports for the first quarter of 2015, excludes from regulatory capital both unrealized gains and losses on available-for-sale debt securities and accumulated net gains and losses on cash-flow hedges and amounts attributable to defined benefit post-retirement plans. We made this election to avoid variations in the level of our capital depending on fluctuations in the fair value of our securities and derivatives portfolio, as well as changes in certain foreign currency exchange rates.

Banking institutions (except for large, internationally active financial institutions) became subject to Basel III on January 1, 2015. There are separate phase-in/phase-out periods for: (i) the capital conservation buffer; (ii) regulatory capital adjustments and deductions; (iii) nonqualifying capital instruments; and (iv) changes to the prompt corrective action rules. The phase-in periods commence on January 1, 2016 and extend until 2019. We believe that we will continue to exceed all well-capitalized regulatory requirements on a fully phased-in basis.

In October 2012, the Federal Reserve published a final rule implementing the stress test requirements under the Dodd-Frank Act, which are designed to evaluate the sufficiency of a banking organization's capital to support its operations during periods of stress. As a bank holding company with between $10 billion and $50 billion in total consolidated assets, we were required to conduct annual stress tests based on scenarios provided by the Federal Reserve, beginning in the fall of 2013. Beginning with our 2014 stress test, we were also required to publicly disclose the results of our stress tests. While depository institutions that meet certain asset thresholds are subject to the stress test requirements, currently none of our subsidiary banks will be subject to the recent stress test rules.

Recent Acquisition Transactions

Acquisition of Community Financial Shares, Inc.

On July 24, 2015, the Company completed its acquisition of Community Financial Shares, Inc ("CFIS"). CFIS was the parent company of Community Bank - Wheaton/Glen Ellyn ("CBWGE"). CBWGE was merged into the Company's wholly-owned subsidiary Wheaton Bank & Trust Company ("Wheaton Bank"). In addition to the banking facilities the Company acquired approximately $351 million of assets, including $160 million of loans, and assumed approximately $290 million of deposits.

Acquisition of Suburban Illinois Bancorp, Inc.

On July 17, 2015, the Company completed its acquisition of Suburban Illinois Bancorp, Inc. ("Suburban"). Suburban was the parent company of Suburban Bank & Trust Company ("SBT"). SBT was merged into the Company's wholly-owned subsidiary Hinsdale Bank & Trust Company ("Hinsdale Bank"). In addition to the banking facilities, the Company acquired approximately $495 million of assets, including $258 million of loans, and assumed approximately $417 million of deposits.

Acquisition of North Bank

On July 1, 2015, the Company, through its wholly-owned subsidiary Wintrust Bank, completed its acquisition of North Bank. Through this transaction the Company acquired two banking locations in downtown Chicago. In addition to the banking facilities, the Company acquired approximately $118 million of assets, including $52 million of loans, and assumed approximately $101 million of deposits.

Acquisition of Delavan Bancshares, Inc.

On January 16, 2015 the Company completed its acquisition of Delavan. Delavan was the parent company of Community Bank CBD. Community Bank CBD was merged into the Company's wholly-owned subsidiary Town Bank. In addition to the banking facilities, the Company acquired approximately $224 million of assets, including $128 million of loans and assumed approximately $170 million of deposits.

Acquisition of bank facilities and certain related deposits of Talmer Bank & Trust

On August 8, 2014, the Company, through its subsidiary Town Bank, completed its acquisition of certain branch offices and deposits of Talmer Bank & Trust. Through this transaction, Town Bank acquired eleven branch offices and approximately $355 million in deposits.

Acquisition of a bank facility and certain related deposits of THE National Bank

On July 11, 2014, the Company, through its subsidiary Town Bank, completed its acquisition of the Pewaukee, Wisconsin branch of THE National Bank. In addition to the banking facility, Town Bank acquired approximately $94 million of assets, including $75 million of loans and approximately $36 million of deposits.

Acquisition of a bank facility and certain related deposits of Urban Partnership Bank

On May 16, 2014, the Company, through its subsidiary Hinsdale Bank, completed its acquisition of the Stone Park branch office and certain related deposits of Urban Partnership Bank.

Acquisition of two affiliated Canadian insurance premium funding and payment services companies

On April 28, 2014, the Company, through its subsidiary, FIFC Canada, completed its acquisition of 100% of the shares of each of Policy Billing Services Inc. and Equity Premium Finance Inc., two affiliated Canadian insurance premium funding and payment services companies.

Acquisition of a bank facility and certain assets and liabilities of Baytree National Bank &Trust Company

On February 28, 2014, the Company, through its subsidiary Lake Forest Bank and Trust Company ("Lake Forest Bank"), completed an acquisition of a bank branch from Baytree National Bank & Trust Company. In addition to the banking facility, Lake Forest Bank acquired certain assets and approximately $15 million of deposits.

Other Completed Transactions

Issuance of Series D Preferred Stock

In June 2015, the Company issued and sold 5,000,000 shares of fixed-to-floating rate non-cumulative perpetual preferred stock, Series D, no par value per share (the “Series D Preferred Stock”), with a liquidation preference of $25 per share for $125.0 million in a public offering. Dividends on the Series D Preferred Stock are payable quarterly in arrears when, as and if declared by the Company's Board of Directors or a duly authorized committee thereof (collectively, the "Board") at a rate of 6.50% per annum on the liquidation preference of $25 per share from the original issuance date to, but excluding, July 15, 2025. From (and including) July 15, 2025, dividends on the Series D Preferred Stock will be payable quarterly in arrears, when, as and if declared by the Board, at a floating rate equal to the then-applicable three-month LIBOR (as defined in the Certificate of Designations) plus a spread of 4.06% per annum. The dividend rate of such floating rate dividend will be reset quarterly. The Company received proceeds, after deducting underwriting discounts, commissions and related costs, of approximately $120.8 million from the issuance, which were intended to be used for general corporate purposes.

Issuance of Subordinated Notes Due 2024

On June 13, 2014, the Company completed a public offering of $140,000,000 aggregate principal amount of its 5.00% Subordinated Notes due 2024. The Company received proceeds prior to expenses of approximately $139.1 million from the offering, after deducting underwriting discounts and commissions and before expenses, which were intended to be used for general corporate purposes.

SUMMARY OF CRITICAL ACCOUNTING POLICIES

The Company's Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles ("GAAP") in the United States and prevailing practices of the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments, and as such have a greater possibility that changes in those estimates and assumptions could produce financial results that are materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event, are based on information available as of the date of the financial statements; accordingly, as information changes, the financial statements could reflect different estimates and assumptions.

A summary of the Company's significant accounting policies is presented in Note 1 to the Consolidated Financial Statements in Item 8. These policies, along with the disclosures presented in the other financial statement notes and in this Management's Discussion and Analysis section, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views critical accounting policies to include the determination of the allowance for loan losses, allowance for covered loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available.

Allowance for Loan Losses, Allowance for Covered Loan Losses and Allowance for Losses on Lending-Related Commitments

The allowance for loan losses and the allowance for covered loan losses represent management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the fair value of the underlying collateral and amount and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which are susceptible to significant change. The loan portfolio also represents the largest asset type on the consolidated balance sheet. The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit, which relates to certain amounts the Company is committed to lend but for which funds have not yet been disbursed. See Note 1 to the Consolidated Financial Statements in Item 8 and the section titled "Loan Portfolio and Asset Quality" in Item 7 for a description of the methodology used to determine the allowance for loan losses, allowance for covered loan losses and the allowance for lending-related commitments.

Loans Acquired with Evidence of Credit Quality Deterioration since Origination

Under accounting guidance applicable to loans acquired with evidence of credit quality deterioration since origination, the excess of cash flows expected at acquisition over the estimated fair value is referred to as the accretable yield and is recognized in interest income over the remaining estimated life of the loans, using the effective-interest method. The difference between contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. Changes in the expected cash flows from the date of acquisition will either impact the accretable yield or result in a charge to the provision for credit losses. Subsequent decreases to expected principal cash flows will result in a charge to provision for credit losses and a corresponding increase to allowance for loan losses. Subsequent increases in expected principal cash flows will result in recovery of any previously recorded allowance for loan losses, to the extent applicable, and a reclassification from nonaccretable difference to accretable yield for any remaining increase. All changes in expected interest cash flows, including the impact of prepayments, will result in reclassifications to/from nonaccretable differences.

Estimations of Fair Value

A portion of the Company's assets and liabilities are carried at fair value on the Consolidated Statements of Condition, with changes in fair value recorded either through earnings or other comprehensive income in accordance with applicable accounting principles generally accepted in the United States. These include the Company's trading account securities, available-for-sale securities, derivatives, mortgage loans held-for-sale and mortgage servicing rights. The determination of fair value is important for certain other assets, including goodwill and other intangible assets, impaired loans, and other real estate owned that are periodically evaluated for impairment using fair value estimates.

Fair value is generally defined as the amount at which an asset or liability could be exchanged in a current transaction between willing, unrelated parties, other than in a forced or liquidation sale. Fair value is based on quoted market prices in an active market, or if market prices are not available, is estimated using models employing techniques such as matrix pricing or discounting expected cash flows. The significant assumptions used in the models, which include assumptions for interest rates, discount rates, prepayments and credit losses, are independently verified against observable market data where possible. Where observable market data is not available, the estimate of fair value becomes more subjective and involves a high degree of judgment. In this circumstance, fair value is estimated based on management’s judgment regarding the value that market participants would assign to the asset or liability. This valuation process takes into consideration factors such as market illiquidity. Imprecision in estimating these factors can impact the amount recorded on the balance sheet for a particular asset or liability with related impacts to earnings or other comprehensive income. See Note 21 to the Consolidated Financial Statements in Item 8 for a further discussion of fair value measurements.

Impairment Testing of Goodwill

The Company performs impairment testing of goodwill on an annual basis or more frequently when events warrant, using a qualitative or quantitative approach. Valuations are estimated in good faith by management through the use of publicly available valuations of comparable entities and discounted cash flow models using internal financial projections in the reporting unit’s business plan.

Using a quantitative approach, the goodwill impairment analysis involves a two-step process. The first step is a comparison of the reporting unit’s fair value to its carrying value. If the carrying value of a reporting unit was determined to have been higher than its fair value, the second step would have to be performed to measure the amount of impairment loss. The second step allocates the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical purchase price allocation analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference.

The goodwill impairment analysis requires management to make subjective judgments in determining if an indicator of impairment has occurred. Events and factors that may significantly affect the analysis include: a significant decline in the Company’s expected future cash flows, a substantial increase in the discount factor, a sustained, significant decline in the Company’s stock price and market capitalization, a significant adverse change in legal factors or in the business climate. Other factors might include changing competitive forces, customer behaviors and attrition, revenue trends, cost structures, along with specific industry and market conditions. Adverse change in these factors could have a significant impact on the recoverability of intangible assets and could have a material impact on the Company’s consolidated financial statements.

As of December 31, 2015, the Company had three reporting units: Community Banking, Specialty Finance and Wealth Management. Based on the Company’s 2015 goodwill impairment testing, no goodwill impairment was indicated for any of the reporting units on their respective annual testing dates.

Derivative Instruments

The Company utilizes derivative instruments to manage risks such as interest rate risk or market risk. The Company’s policy prohibits using derivatives for speculative purposes.

Accounting for derivatives differs significantly depending on whether a derivative is designated as a hedge, which is a transaction intended to reduce a risk associated with a specific asset or liability or future expected cash flow at the time it is purchased. In order to qualify as a hedge, a derivative must be designated as such by management. Management must also continue to evaluate whether the instrument effectively reduces the risk associated with that item. To determine if a derivative instrument continues to be an effective hedge, the Company must make assumptions and judgments about the continued effectiveness of the hedging strategies and the nature and timing of forecasted transactions. If the Company’s hedging strategy were to become ineffective, hedge accounting would no longer apply and the reported results of operations or financial condition could be materially affected.

Income Taxes

The Company is subject to the income tax laws of the United States, its states, Canada and other jurisdictions where it conducts business. These laws are complex and subject to different interpretations by the taxpayer and the various taxing authorities. In determining the provision for income taxes, management must make judgments and estimates about the application of these inherently complex laws, related regulations and case law. In the process of preparing the Company's tax returns, management attempts to make reasonable interpretations of the tax laws. These interpretations are subject to challenge by the tax authorities upon audit or to reinterpretation based on management's ongoing assessment of facts and evolving case law. Management reviews its uncertain tax positions and recognition of the benefits of such positions on a regular basis.

On a quarterly basis, management assesses the reasonableness of its effective tax rate based upon its current best estimate of net income and the applicable taxes expected for the full year. Deferred tax assets and liabilities are reassessed on a quarterly basis, if business events or circumstances warrant.

CONSOLIDATED RESULTS OF OPERATIONS

The following discussion of Wintrust's results of operations requires an understanding that a majority of the Company's bank subsidiaries have been started as de novo banks since December 1991. Wintrust has a strategy of continuing to build its customer base and securing broad product penetration in each marketplace that it serves. The Company has expanded its banking franchise from three banks with five offices in 1994 to 15 banks with 152 offices at the end of 2015. FIFC has matured from its limited operations in 1991 to a company that generated, on a national basis, $5.9 billion in premium finance receivables in 2015 within the United States. FIFC Canada, acquired in 2012, originated $617.1 million in Canadian commercial premium finance receivables in 2015. In addition, the wealth management companies have been building a team of experienced professionals who are located within a majority of the banks.

Earnings Summary

Net income for the year ended December 31, 2015, totaled $156.7 million, or $2.93 per diluted common share, compared to $151.4 million, or $2.98 per diluted common share, in 2014, and $137.2 million, or $2.75 per diluted common share, in 2013. During 2015, net income increased by $5.3 million and earnings per diluted common share decreased by $0.05. During 2014, net income increased by $14.2 million and earnings per diluted common share increased by $0.23. Net income increased in 2015 as compared to 2014 primarily as a result of an increase in net interest income driven by growth in earning assets, an increase in mortgage banking revenues and higher fees on covered call options and customer interest rate swaps, partially offset by increased salary and employee benefits, equipment and occupancy costs and advertising and marketing expense. Net income increased in 2014 as compared to 2013 as a result of an increase in interest income on loans and available-for-sale securities, decreases in interest expense on deposits and the provision for credit losses, as well as an increase in wealth management revenues partially offset by increased salary and employee benefit and occupancy costs and decreases in mortgage banking revenue.

Net Interest Income

The primary source of the Company's revenue is net interest income. Net interest income is the difference between interest income and fees on earning assets, such as loans and securities, and interest expense on the liabilities to fund those assets, including interest bearing deposits and other borrowings. The amount of net interest income is affected by both changes in the level of interest rates, and the amount and composition of earning assets and interest bearing liabilities. Net interest margin represents tax-equivalent net interest income as a percentage of the average earning assets during the period.

Tax-equivalent net interest income in 2015 totaled $646.2 million, up from $601.7 million in 2014 and $552.9 million in 2013, representing an increase of $44.5 million, or 7%, in 2015 and an increase of $48.8 million, or 9%, in 2014. The table presented later in this section, titled "Changes in Interest Income and Expense," presents the dollar amount of changes in interest income and expense, by major category, attributable to changes in the volume of the balance sheet category and changes in the rate earned or paid with respect to that category of assets or liabilities for 2015 and 2014. Average earning assets increased $2.2 billion, or 13%, in 2015 and $1.2 billion, or 8%, in 2014. Loans are the most significant component of the earning asset base as they earn interest at a higher rate than the other earning assets. Average loans, excluding covered loans, increased $2.1 billion, or 15%, in 2015 and $1.2 billion, or 10%, in 2014. Total average loans, excluding covered loans, as a percentage of total average earning assets were 83%, 82% and 81% in 2015, 2014 and 2013, respectively. The average yield on loans, excluding covered loans, was 4.01% in 2015, 4.23% in 2014 and 4.34% in 2013, reflecting a decrease of 22 basis points in 2015 and a decrease of 11 basis points in 2014. The lower loan yields in 2015 compared to 2014 and 2014 compared to 2013 are a result of the negative impact of both competitive and economic pricing pressures. The average rate paid on interest bearing deposits, the largest component of the Company's interest bearing liabilities, was 0.37% in 2015, 0.39% in 2014 and 0.45% in 2013, representing a decrease of two basis points in 2015 and six basis points in 2014. The lower level of interest bearing deposits rates in 2015 compared to 2014 and 2014 compared to 2013 was primarily due to continued downward re-pricing of retail deposits in recent years. As a result of the above, net interest margin decreased to 3.36% in 2015 compared to 3.53% in 2014.

Net interest income and net interest margin were also affected by amortization of valuation adjustments to earning assets and interest-bearing liabilities of acquired businesses. Under the acquisition method of accounting, assets and liabilities of acquired businesses are required to be recognized at their estimated fair value at the date of acquisition. These valuation adjustments represent the difference between the estimated fair value and the carrying value of assets and liabilities acquired. These adjustments are amortized into interest income and interest expense based upon the estimated remaining lives of the assets and liabilities acquired, typically on an accelerated basis.

Average Balance Sheets, Interest Income and Expense, and Interest Rate Yields and Costs

The following table sets forth the average balances, the interest earned or paid thereon, and the effective interest rate, yield or cost for each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2015, 2014 and 2013. The yields and costs include loan origination fees and certain direct origination costs that are considered adjustments to yields. Interest income on non-accruing loans is reflected in the year that it is collected, to the extent it is not applied to principal. Such amounts are not material to net interest income or the net change in net interest income in any year. Non-accrual loans are included in the average balances. Net interest income and the related net interest margin have been adjusted to reflect tax-exempt income, such as interest on municipal securities and loans, on a tax-equivalent basis. This table should be referred to in conjunction with this analysis and discussion of the financial condition and results of operations.

	Average Balance for the year ended December 31,			Interest for the year ended December 31,			Yield/Rate for the year ended December 31,		
(Dollars in thousands)	2015	2014	2013	2015	2014	2013	2015	2014	2013
Assets									
Interest bearing deposits with banks	$524,163	$523,660	$612,205	$1,486	$1,472	$1,644	0.28%	0.28%	0.27%
Investment securities	2,371,930	2,142,619	1,846,988	64,227	54,951	38,432	2.71	2.56	2.08
Federal Home Loan Bank and Federal Reserve Bank stock	90,004	81,000	78,532	3,232	2,920	2,773	3.59	3.60	3.53
Federal funds sold and securities purchased under resale agreements	6,409	14,171	19,498	4	25	27	0.05	0.17	0.14
Total liquidity management assets (1) (6)	$2,992,506	$2,761,450	$2,557,223	$68,949	$59,368	$42,876	2.30%	2.15%	1.68%
Other earning assets (1) (2) (6)	30,161	28,699	26,554	962	916	816	3.19	3.19	3.07
Loans, net of unearned income (1) (3) (6)	16,022,371	13,958,842	12,742,202	641,917	590,620	553,035	4.01	4.23	4.34
Covered loans	186,427	280,946	462,518	11,345	23,532	36,242	6.09	8.38	7.84
Total earning assets (6)	$19,231,465	$17,029,937	$15,788,497	$723,173	$674,436	$632,969	3.76%	3.96%	4.01%
Allowance for loan and covered loan losses	(103,459)	(100,586)	(124,970)						
Cash and due from banks	249,488	234,194	222,453						
Other assets	1,632,279	1,535,913	1,582,269						
Total assets	$21,009,773	$18,699,458	$17,468,249						
Liabilities and Shareholders' Equity									
Deposits — interest bearing:									
	$2,246,451	$2,028,485	$2,049,573	$3,159	$2,472	$3,009	0.14%	0.12%	0.15%

NOW and interest bearing demand deposits									
Wealth management deposits	1,456,289	1,227,072	987,885	3,702	1,836	706	0.25	0.15	0.07
Money market accounts	3,888,781	3,575,605	3,048,045	7,961	7,400	7,199	0.20	0.21	0.24
Savings accounts	1,610,603	1,453,559	1,300,681	2,415	2,430	2,744	0.15	0.17	0.21
Time deposits	4,069,180	4,185,876	4,460,670	31,626	34,273	39,533	0.78	0.82	0.89
Total interest bearing deposits	$13,271,304	$12,470,597	$11,846,854	$48,863	$48,411	$53,191	0.37%	0.39%	0.45%
Federal Home Loan Bank advances	389,426	387,591	423,221	9,110	10,523	11,014	2.34	2.71	2.60
Other borrowings	233,152	132,479	269,311	3,627	1,773	4,341	1.56	1.34	1.61
Subordinated notes	140,000	77,479	10,521	7,105	3,906	167	5.07	5.04	1.57
Junior subordinated notes	258,203	249,493	249,493	8,230	8,079	11,369	3.14	3.19	4.49
Total interest-bearing liabilities	$14,292,085	$13,317,639	$12,799,400	$76,935	$72,692	$80,082	0.54%	0.55%	0.62%
Non-interest bearing deposits	4,144,378	3,062,338	2,487,761						
Other liabilities	340,321	325,522	324,382						
Equity	2,232,989	1,993,959	1,856,706						
Total liabilities and shareholders’ equity	$21,009,773	$18,699,458	$17,468,249						
Interest rate spread (4) (6)							3.22%	3.41%	3.39%
Net free funds/contribution (5)	$4,939,380	$3,712,298	$2,989,097				0.14	0.12	0.11
Net interest income/margin (6)				$646,238	$601,744	$552,887	3.36%	3.53%	3.50%

(1) Interest income on tax-advantaged loans, trading securities and investment securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the years ended December 31, 2015, 2014 and 2013 were $4.7 million, $3.2 million and $2.3 million, respectively.
(2) Other earning assets include brokerage customer receivables and trading account securities.
(3) Loans, net of unearned income, include loans held-for-sale and non-accrual loans.
(4) Interest rate spread is the difference between the yield earned on earning assets and the rate paid on interest-bearing liabilities.
(5) Net free funds is the difference between total average earning assets and total average interest-bearing liabilities. The estimated contribution to net interest margin from net free funds is calculated using the rate paid for total interest-bearing liabilities.
(6) See “Supplemental Financial Measures/Ratios” for additional information on this performance ratio.

Changes In Interest Income and Expense

The following table shows the dollar amount of changes in interest income (on a tax-equivalent basis) and expense by major categories of interest-earning assets and interest-bearing liabilities attributable to changes in volume or rate for the periods indicated:

	Years Ended December 31, 2015 Compared to 2014			2014 Compared to 2013		
(Dollars in thousands)	Change Due to Rate	Change Due to Volume	Total Change	Change Due to Rate	Change Due to Volume	Total Change
Interest income:						
Interest bearing deposits with banks	$—	$14	$14	$62	$(234)	$(172)
Investment securities	2,782	6,494	9,276	9,752	6,767	16,519
Federal Home Loan Bank and Federal Reserve Bank stock	(8)	320	312	57	90	147
Federal funds sold and securities purchased under resale agreements	(12)	(9)	(21)	6	(8)	(2)
Total liquidity management assets	$2,762	$6,819	$9,581	$9,877	$6,615	$16,492
Other earning assets	—	46	46	33	67	100
Loans, net of unearned income	(32,090)	83,387	51,297	(14,269)	51,854	37,585
Covered loans	(5,464)	(6,723)	(12,187)	2,351	(15,061)	(12,710)
Total interest income	$(34,792)	$83,529	$48,737	$(2,008)	$43,475	$41,467
Interest Expense:						
Deposits — interest bearing:						
NOW and interest bearing demand deposits	$385	$302	$687	$(482)	$(55)	$(537)
Wealth management deposits	1,006	860	1,866	575	555	1,130
Money market accounts	—	561	561	(914)	1,115	201
Savings accounts	(284)	269	(15)	(592)	278	(314)
Time deposits	(1,505)	(1,142)	(2,647)	(3,478)	(1,782)	(5,260)
Total interest expense — deposits	$(398)	$850	$452	$(4,891)	$111	$(4,780)
Federal Home Loan Bank advances	(1,462)	49	(1,413)	456	(946)	(490)
Other borrowings	(525)	2,379	1,854	(637)	(1,931)	(2,568)
Subordinated notes	23	3,176	3,199	950	2,788	3,738
Junior subordinated notes	(126)	277	151	(3,290)	—	(3,290)
Total interest expense	$(2,488)	$6,731	$4,243	$(7,412)	$22	$(7,390)
Net interest income	$(32,304)	76,798	44,494	$5,404	43,453	48,857

The changes in net interest income are created by changes in both interest rates and volumes. In the table above, volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the change in rate multiplied by the previous year's volume. The change in interest due to both rate and volume has been allocated between factors in proportion to the relationship of the absolute dollar amounts of the change in each.

Non-Interest Income
The following table presents non-interest income by category for 2015, 2014 and 2013:

	Years ended December 31,			2015 compared to 2014		2014 compared to 2013	
(Dollars in thousands)	2015	2014	2013	$ Change	% Change	$ Change	% Change
Brokerage	$27,030	$30,438	$29,281	$(3,408)	(11)%	$1,157	4 %
Trust and asset management	46,422	40,905	33,761	5,517	13	7,144	21
Total wealth management	$73,452	$71,343	$63,042	$2,109	3 %	$8,301	13 %
Mortgage banking	115,011	91,617	106,857	23,394	26	(15,240)	(14)
Service charges on deposit accounts	27,384	23,307	20,366	4,077	17	2,941	14
Gains (losses) on available-for-sale securities	323	(504)	(3,000)	827	NM	2,496	NM
Fees from covered call options	15,364	7,859	4,773	7,505	95	3,086	65
Trading (losses) gains, net	(247)	(1,609)	892	1,362	NM	(2,501)	NM
Operating lease income, net	2,728	163	—	2,565	NM	163	NM
Other:							
Interest rate swap fees	9,487	4,469	7,629	5,018	112	(3,160)	(41)
BOLI	4,622	2,700	3,446	1,922	71	(746)	(22)
Administrative services	4,252	3,893	3,390	359	9	503	15
Miscellaneous	19,221	12,002	15,002	7,219	60	(3,000)	(20)
Total Other	$37,582	$23,064	$29,467	$14,518	63 %	$(6,403)	(22)%
Total Non-Interest Income	$271,597	$215,240	$222,397	$56,357	26 %	$(7,157)	(3)%

NM—Not Meaningful

Notable contributions to the change in non-interest income are as follows:

Wealth management revenue is comprised of the trust and asset management revenue of the CTC and Great Lakes Advisors and the brokerage commissions, managed money fees and insurance product commissions at WHI. Brokerage revenue is directly impacted by trading volumes. In 2015, brokerage revenue totaled $27.0 million, reflecting a decrease of $3.4 million, or 11%, compared to 2014. In 2014, brokerage revenue totaled $30.4 million, reflecting an increase of $1.2 million, or 4%, compared to 2013. The decrease in brokerage revenue during 2015 compared to 2014 can be attributed to a decrease in customer transactional activity and a slightly down market. The increase in brokerage revenue in 2014 compared to 2013 can be attributed to increased customer trading activity. Trust and asset management revenue totaled $46.4 million in 2015, an increase of $5.5 million, or 13%, compared to 2014. Trust and asset management revenue totaled $40.9 million in 2014, an increase of $7.1 million, or 21%, compared to 2013. Trust and asset management fees are based primarily on the market value of the assets under management or administration. Increased asset levels from adding new customers helped drive revenue growth in 2015 compared to 2014. Higher asset levels from new customers and new financial advisors along with market appreciation helped drive revenue growth in 2014 compared to 2013.

Mortgage banking revenue totaled $115.0 million in 2015, $91.6 million in 2014, and $106.9 million in 2013, reflecting an increase of $23.4 million, or 26%, in 2015, and a decrease of $15.2 million, or 14%, in 2014. Mortgage banking revenue includes revenue from activities related to originating, selling and servicing residential real estate loans for the secondary market. A main factor in the mortgage banking revenue recognized by the Company is the volume of mortgage loans originated or purchased for sale. Mortgage loans originated or purchased for sale were $3.9 billion in 2015 compared to $3.2 billion in 2014, and $3.7 billion in 2013. The increase in volume is the result of a more favorable mortgage banking environment during 2015 as compared to 2014 and 2013. Mortgage revenue is also impacted by changes in the fair value of MSRs as the Company does not hedge this change in fair value. The Company typically originates mortgage loans held-for-sale with associated MSRs either retained or released. The Company records MSRs at fair value on a recurring basis.

Service charges on deposit accounts totaled $27.4 million in 2015, $23.3 million in 2014 and $20.4 million in 2013, reflecting an increase of 17% in 2015 and 14% in 2014. The increase in recent years is primarily a result of higher account analysis fees on deposit accounts which have increased as a result of the Company's commercial banking initiative as well as additional service charges on deposit accounts from acquired institutions.

The Company recognized $323,000 of net gains on available-for-sale securities in 2015 compared to net losses of $504,000 in 2014 and net losses of $3.0 million in 2013. The net gains in 2015 primarily relate to the sale of mortgage-backed securities in that were held in the Company's available-for-sale securities portfolio. The Company recorded fewer losses on available-for-sale securities in 2014 compared to 2013 due to other-than-temporary impairment recorded on one security in 2013 as a result of the Volcker Rule. The Company did not recognize any other-than-temporary impairment charges in 2015 and 2014.

Fees from covered call option transactions totaled $15.4 million in 2015, $7.9 million in 2014 and $4.8 million in 2013. The Company has typically written call options with terms of less than three months against certain U.S. Treasury and agency securities held in its portfolio for liquidity and other purposes. Management has effectively entered into these transactions with the goal of economically hedging security positions and enhancing its overall return on its investment portfolio by using fees generated from these options to compensate for net interest margin compression. These option transactions are designed to mitigate overall interest rate risk and to increase the total return associated with holding certain investment securities and do not qualify as hedges pursuant to accounting guidance. Fees from covered call options increased primarily as a result of selling call options against a larger volume of underlying securities resulting in higher premiums received by the Company in 2015 compared to 2014 and 2013. There were no outstanding call option contracts at December 31, 2015, December 31, 2014 or December 31, 2013.

The Company recognized $247,000 of trading losses in 2015, trading losses of $1.6 million in 2014, and trading gains of $892,000 in 2013. Trading gains and losses recorded by the Company primarily result from fair value adjustments related to interest rate derivatives not designated as hedges, primarily interest rate cap instruments that the Company uses to manage interest rate risk, specifically in the event of future increases in short-term interest rates. The change in value of the cap derivatives reflects the present value of expected cash flows over the remaining life of the caps. These expected cash flows are derived from the expected path for and a measure of volatility of short-term interest rates.

Operating lease income totaled $2.7 million in 2015 compared to $163,000 in 2014. The increase in 2015 is primarily related to growth in business from the Company's leasing divisions.

Interest rate swap fee revenue totaled $9.5 million in 2015, $4.5 million in 2014 and $7.6 million in 2013. Swap fee revenues result from interest rate hedging transactions related to both customer-based trades and the related matched trades with inter-bank dealer counterparties. The revenue recognized on this customer-based activity is sensitive to the pace of organic loan growth, the shape of the yield curve and the customers’ expectations of interest rates. The increase in swap fee revenue in 2015 compared to 2014 and 2013 primarily results from interest rate hedging transactions related to both customer-based trades and the related matched trades with inter-bank dealer counterparties.

Bank owned life insurance (“BOLI”) generated non-interest income of $4.6 million in 2015, $2.7 million in 2014 and $3.4 million in 2013. This income typically represents adjustments to the cash surrender value of BOLI policies. The Company initially purchased BOLI to consolidate existing term life insurance contracts of executive officers and to mitigate the mortality risk associated with death benefits provided for in executive employment contracts and in connection with certain deferred compensation arrangements. The Company has also assumed additional BOLI policies as the result of the acquisition of certain banks. The Company recognized $2.1 million in BOLI death benefits in 2015. The cash surrender value of BOLI totaled $136.2 million at December 31, 2015 and $121.4 million at December 31, 2014, and is included in other assets.

Administrative services revenue generated by Tricom was $4.3 million in 2015, $3.9 million in 2014 and $3.4 million in 2013. This revenue comprises income from administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients located throughout the United States. Tricom also earns interest and fee income from providing high-yielding, short-term accounts receivable financing to this same client base, which is included in the net interest income category. The increases in recent years are a result of an increase in the volume of Tricom’s client billings.

Miscellaneous other non-interest income totaled $19.2 million in 2015, $12.0 million in 2014 and $15.0 million in 2013. Miscellaneous income includes loan servicing fees, income from other investments, service charges and other fees. The increase in miscellaneous other income for 2015 compared to 2014 primarily resulted from $4.1 million in lower FDIC indemnification asset amortization and $1.8 million in higher net gains on partnership investments. The decrease in miscellaneous other income for 2014 compared to 2013 resulted from $5.1 million in higher FDIC indemnification asset amortization and a $615,000 loss related to a bank branch sale.

Non-Interest Expense

The following table presents non-interest expense by category for 2015, 2014 and 2013:

	Years ended December 31,			2015 compared to 2014		2014 compared to 2013	
(Dollars in thousands)	2015	2014	2013	$ Change	% Change	$ Change	% Change
Salaries and employee benefits:							
Salaries	$197,475	$177,811	$170,123	$19,664	11 %	$7,688	5 %
Commissions and incentive compensation	120,138	103,185	87,837	16,953	16	15,348	17
Benefits	64,467	54,510	50,834	9,957	18	3,676	7
Total salaries and employee benefits	$382,080	$335,506	$308,794	$46,574	14 %	$26,712	9 %
Equipment	32,812	29,609	26,450	3,203	11	3,159	12
Equipment on operating lease	1,826	142	—	1,684	NM	142	NM
Occupancy, net	48,880	42,889	36,633	5,991	14	6,256	17
Data processing	26,940	19,336	18,672	7,604	39	664	4
Advertising and marketing	21,924	13,571	11,051	8,353	62	2,520	23
Professional fees	18,225	15,574	14,922	2,651	17	652	4
Amortization of other intangible assets	4,621	4,692	4,627	(71)	(2)	65	1
FDIC insurance	12,386	12,168	12,728	218	2	(560)	(4)
OREO expenses, net	4,483	9,367	5,834	(4,884)	(52)	3,533	61
Other:							
Commissions — 3rd party brokers	5,474	6,381	5,078	(907)	(14)	1,303	26
Postage	7,030	6,045	5,591	985	16	454	8
Miscellaneous	61,738	51,567	52,171	10,171	20	(604)	(1)
Total other	$74,242	$63,993	$62,840	$10,249	16 %	$1,153	2 %
Total Non-Interest Expense	$628,419	$546,847	$502,551	$81,572	15 %	$44,296	9 %

NM—Not Meaningful

Notable contributions to the change in non-interest expense are as follows:

Salaries and employee benefits is the largest component of non-interest expense, accounting for 61% of the total in 2015, 2014 and 2013. For the year ended December 31, 2015, salaries and employee benefits totaled $382.1 million and increased $46.6 million, or 14%, compared to 2014. This increase can be attributed to $4.5 million in acquisition and non-operating compensation charges, a $17.2 million increase in salaries resulting from annual salary increases, additional employees from various acquisitions and larger staffing as the company grows, a $16.6 million increase in commissions and incentive compensation primarily attributable to higher expenses on variable pay based arrangements and an $8.3 million increase in employee benefits primarily due to higher insurance costs. For the year ended December 31, 2014, salaries and employee benefits totaled $335.5 million and increased $26.7 million, or 9%, compared to 2013. This increase can be attributed to a $7.7 million increase in salaries resulting from annual salary increases, additional employees from acquisitions and larger staffing as the Company grows, a $15.3 million increase in commissions and incentive compensation primarily attributable to the Company's long-term incentive program and a $3.7 million increase in employee benefits (primarily health plan and payroll taxes related).

Equipment expense totaled $32.8 million in 2015, $29.6 million in 2014 and $26.5 million in 2013, reflecting an increase of 11% in 2015 and an increase of 12% in 2014. The increase in equipment expense in 2015 primarily related to increased software license fees, the impact of recent acquisitions and higher depreciation as a result of equipment purchases. The increase in equipment expense in 2014 compared to 2013 was a result of both additional equipment depreciation related to the increasing number of facilities due to acquisition activity and maintenance and repair expenses. Equipment expense includes furniture, equipment and computer software, depreciation and repairs and maintenance costs.

Equipment on operating lease expense totaled $1.8 million in 2015, an increase of $1.7 million compared to 2014. The increase in 2015 compared to 2014 was primarily related to growth in business from the Company's leasing divisions.

Occupancy expense for the years 2015, 2014 and 2013 was $48.9 million, $42.9 million and $36.6 million, respectively, reflecting increases of 14% in 2015 and 17% in 2014. The increases in 2015 and 2014 were primarily the result of increased rent expense on leased properties as well as increased depreciation and property taxes on owned locations including those obtained in the Company's acquisitions. In addition, the Company incurred a loss of $1.1 million upon entering into a sublease agreement on an existing property in the fourth quarter of 2014 as well as increased snow removal costs during the first quarter of 2014. Occupancy expense includes depreciation on premises, real estate taxes, utilities and maintenance of premises, as well as net rent expense for leased premises.

Data processing expenses totaled $26.9 million in 2015, $19.3 million in 2014 and $18.7 million in 2013, representing an increase of 39% in 2015 and an increase of 4% in 2014. The amount of data processing expenses incurred fluctuates based on the overall growth of loan and deposit accounts as well as additional expenses recorded related to bank acquisition transactions. Data processing expenses increased in 2015 compared to 2014 primarily due to acquisition-related charges of $5.0 million during 2015. The increase in 2014 compared to 2013 was primarily due to continued growth in the Company during the period.

Advertising and marketing expenses totaled $21.9 million for 2015, $13.6 million for 2014 and $11.1 million for 2013. Marketing costs are incurred to promote the Company’s brand, commercial banking capabilities, the Company’s MaxSafe® suite of products, community-based products, to attract loans and deposits and to announce new branch openings as well as the expansion of the Company's non-bank businesses. The increase in 2015 compared to 2014 and 2013 was primarily due to expenses for community-related advertisements and sponsorships. The level of marketing expenditures depends on the type of marketing programs utilized which are determined based on the market area, targeted audience, competition and various other factors. Management continues to utilize mass market media promotions as well as targeted marketing programs in certain market areas. In 2015 and 2014, the Company incurred increased advertising and marketing costs to increase Wintrust's name recognition associated with the overall goal of becoming "Chicago's and Wisconsin's Bank."

Professional fees totaled $18.2 million in 2015, $15.6 million in 2014 and $14.9 million in 2013. The increase in 2015 as compared to 2014 and 2013 related primarily to increased legal fees incurred in connection with acquisitions in addition to increased audit and tax-related services. The increase in 2014 compared to 2013 was primarily the result of increased consulting services. Professional fees include legal, audit and tax fees, external loan review costs and normal regulatory exam assessments.

OREO expense was $4.5 million in 2015, $9.4 million in 2014, and $5.8 million in 2013. The decrease in 2015 compared to 2014 was primarily the result of fewer negative valuation adjustments of OREO properties and lower expenses to maintain OREO properties. The increase in 2014 as compared to 2013 was primarily the result of higher gains on covered OREO sales in 2013. OREO expenses include all costs associated with obtaining, maintaining and selling other real estate owned properties as well as valuation adjustments.

Miscellaneous non-interest expense increased $10.2 million, or 20%, in 2015 compared to 2014 and decreased $604,000, or 1%, in 2014 compared to 2013. The increase in 2015 compared to 2014 was primarily a result of higher travel and entertainment expenses and increased costs related to postage, insurance, donations and operating losses. Miscellaneous non-interest expense includes ATM expenses, correspondent banking charges, directors’ fees, telephone, travel and entertainment, corporate insurance, dues and subscriptions, problem loan expenses, operating losses and lending origination costs that are not deferred.

Income Taxes

The Company recorded income tax expense of $95.0 million in both 2015 and 2014 and $87.2 million in 2013. The effective tax rates were 37.7%, 38.6% and 38.9% in 2015, 2014 and 2013, respectively. The lower effective tax rate in 2015 as compared to the 2014 and 2013 was a result of a lower state income tax rate in Illinois in 2015 and an increase in tax-exempt income relative to income before income taxes in 2015 as compared to 2014 and 2013. Please refer to Note 16 to the Consolidated Financial Statements in Item 8 for further discussion and analysis of the Company's tax position, including a reconciliation of the tax expense computed at the statutory tax rate to the Company's actual tax expense.

Operating Segment Results

As described in Note 23 to the Consolidated Financial Statements in Item 8, the Company's operations consist of three primary segments: community banking, specialty finance and wealth management. The Company's profitability is primarily dependent on the net interest income, provision for credit losses, non-interest income and operating expenses of its community banking segment. For purposes of internal segment profitability, management allocates certain intersegment and parent company balances. Management allocates a portion of revenues to the specialty finance segment related to loans originated by the specialty finance segment and sold to the community banking segment. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates a portion of the net interest income earned by the community banking segment on deposit balances of customers of the wealth management segment to the wealth management segment. Finally, expenses incurred at the Wintrust parent company are allocated to each segment based on each segment's risk-weighted assets.

The community banking segment's net interest income for the year ended December 31, 2015 totaled $523.1 million as compared to $484.5 million for the same period in 2014, an increase of $38.6 million, or 8%, and the segment's net interest income in 2014 compared to 2013 increased $36.3 million or 8%. The increases in 2015 compared to 2014 as well as 2014 compared to 2013 were primarily attributable to an increase in earning assets including those acquired in bank acquisitions. The community banking segment's provision for credit losses totaled $29.7 million in 2015 compared to $17.7 million in 2014 and $45.4 million in 2013. The provision for credit losses increased in 2015 compared to 2014 as a result of an increase in loans, excluding covered loans, during 2015. The decrease in 2014 compared to 2013 was due to improved credit quality ratios, including reduced levels of non-performing loans. Non-interest income for the community banking segment increased $54.9 million, or 40%, in 2015 when compared to 2014 and decreased $14.2 million, or 9%, in 2014 when compared to 2013. The increase in 2015 compared to 2014 was primarily attributable to higher mortgage banking revenues from higher originations in 2015 as a result of the favorable mortgage environment and increased fees on covered call options. The decrease in 2014 compared to 2013 was primarily attributable to a lower volume of mortgage loans originated or purchased for sale resulting in decreased mortgage banking revenue. The community banking segment's net income for the year ended December 31, 2015 totaled $101.9 million, an increase of $3.2 million, compared to net income of $98.7 million in 2014. Net income for the year ended December 31, 2014 of $98.7 million was an increase of $10.3 million as compared to net income in 2013 of $88.4 million.

The specialty finance segment's net interest income totaled $85.3 million for the year ended December 31, 2015, compared to $82.4 million in the same period of 2014, an increase of $2.9 million, or 3%. The specialty finance segment's net interest income for the year ended December 31, 2014 increased $8.5 million, or 12%, from $73.9 million in 2013. The specialty finance segment's provision for credit losses increased to $3.2 million in 2015 compared to $2.8 million in 2014 and $637,000 in 2013. The provision for credit losses increased in 2015 and 2014 compared to the respective prior year primarily due to growth in the loan portfolio within the segment during 2015 and 2014. The specialty finance segment's non-interest income totaled $33.6 million for the year ended December 31, 2015 compared to $32.5 million in 2014 and $30.9 million in 2013. The increase in non-interest income is a result of increased premium finance receivable originations. For 2015, our commercial premium finance operations, life insurance premium finance operations and accounts receivable finance operations accounted for 58%, 33% and 9%, respectively, of the total revenues of our specialty finance business. Net income of the specialty finance segment totaled $42.1 million, $40.6 million and $38.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The wealth management segment reported net interest income of $17.0 million for 2015, $16.0 million for 2014 and $14.1 million for 2013. Net interest income for this segment is primarily comprised of an allocation of net interest income earned by the community banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the banks. Wealth management customer account balances on deposit at the banks averaged $890.6 million, $832.9 million and $782.7 million in 2015, 2014 and 2013, respectively. This segment recorded non-interest income of $75.5 million for 2015 as compared to $73.4 million for 2014 and $65.6 million for 2013. This increase is primarily due to a growth in assets from new customers and new financial advisors, as well as an increase in existing customer activity and market appreciation. Distribution of wealth management services through each bank continues to be a focus of the Company as the number of brokers in its banks continues to increase. The Company is committed to growing the wealth management segment in order to better service its customers and create a more diversified revenue stream. The wealth management segment reported net income of $12.7 million for 2015 compared to $12.1 million for 2014 and $10.7 million for 2013.

ANALYSIS OF FINANCIAL CONDITION

Total assets were $22.9 billion at December 31, 2015, representing an increase of $2.9 billion, or 15%, when compared to December 31, 2014. Total funding, which includes deposits, all notes and advances, including secured borrowings and the junior subordinated debentures, was $20.2 billion at December 31, 2015 and $17.6 billion at December 31, 2014. See Notes 3, 4, and 10 through 14 of the Consolidated Financial Statements in Item 8 for additional period-end detail on the Company's interest-earning assets and funding liabilities.

Interest-Earning Assets

The following table sets forth, by category, the composition of average earning assets and the relative percentage of each category to total average earning assets for the periods presented:

	Years Ended December 31,								
	2015			2014			2013		
(Dollars in thousands)	Balance	Percent		Balance	Percent		Balance	Percent	
Loans:									
Commercial	$4,250,698	22	%	$3,559,368	21	%	$3,005,880	19	%
Commercial real estate	4,990,657	26		4,368,326	26		4,076,844	26	
Home equity	749,760	4		715,174	4		753,181	5	
Residential real estate (1)	899,039	5		745,637	4		772,753	5	
Premium finance receivables	4,973,095	26		4,401,525	26		3,946,647	25	
Other loans	159,122	1		168,812	1		186,897	1	
Total loans, net of unearned income(2) excluding covered loans	$16,022,371	83	%	$13,958,842	82	%	$12,742,202	81	%
Covered loans	186,427	1		280,946	2		462,518	3	
Total average loans (2)	$16,208,798	84	%	$14,239,788	84	%	$13,204,720	84	%
Liquidity management assets (3)	$2,992,506	16	%	$2,761,450	16	%	$2,557,223	16	%
Other earning assets (4)	30,161	—		28,699	—		26,554	—	
Total average earning assets	$19,231,465	100	%	$17,029,937	100	%	$15,788,497	100	%
Total average assets	$21,009,773			$18,699,458			$17,468,249		
Total average earning assets to total average assets		92	%		91	%		90	%

(1) Includes mortgage loans held-for-sale

(2) Includes loans held-for-sale and non-accrual loans

(3) Liquidity management assets include investment securities, Federal Home Loan Bank and Federal Reserve Bank stock, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements

(4) Other earning assets include brokerage customer receivables and trading account securities

Total average earning assets increased $2.2 billion, or 13%, in 2015 and $1.2 billion, or 7%, in 2014. Average earning assets comprised 92% of average total assets in 2015 compared to 91% of average total assets in 2014 and 90% of average total assets in 2013.

Loans. Average total loans, net of unearned income, totaled $16.2 billion and increased $2.0 billion, or 14%, in 2015 and $1.0 billion, or 8%, in 2014. Average commercial loans totaled $4.3 billion in 2015, and increased $691.3 million, or 19%, over the average balance in 2014, while average commercial real estate loans totaled $5.0 billion in 2015, increasing $622.3 million, or 14%, since 2014. From 2013 to 2014, average commercial loans increased $553.5 million, or 18%, while average commercial real estate loans increased by $291.5 million, or 7%. Combined, these categories comprised 57% of the average loan portfolio in 2015 and 56% in 2014. The growth realized in these categories for 2015 and 2014 is primarily attributable to the various bank acquisitions and increased business development efforts.

Home equity loans averaged $749.8 million in 2015, and increased $34.6 million, or 5%, when compared to the average balance in 2014. Home equity loans averaged $715.2 million in 2014, and decreased $38.0 million, or 5%, when compared to the average balance in 2013. Unused commitments on home equity lines of credit totaled $855.1 million at December 31, 2015 and $744.3 million at December 31, 2014. The Company has been actively managing its home equity portfolio to ensure that diligent pricing, appraisal and other underwriting activities continue to exist. The Company has not sacrificed asset quality or pricing standards when originating new home equity loans.

Residential real estate loans averaged $899.0 million in 2015, and increased $153.4 million, or 21%, from the average balance in 2014. In 2014, residential real estate loans averaged $745.6 million, and decreased $27.1 million, or 4%, from the average balance in 2013. This category includes mortgage loans held-for-sale. By selling residential mortgage loans into the secondary market, the Company eliminates the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans, and provides a source of non-interest revenue. Average mortgage loans held-for-sale increased during 2015 as a result of higher origination volumes due to the impact of lower rates on refinancing activity.

Average premium finance receivables totaled $5.0 billion in 2015, and accounted for 31% of the Company's average total loans. Premium finance receivables consist of a commercial portfolio and a life portfolio, comprising 49% and 51%, respectively, of the average total balance for 2015. In 2014, the commercial portfolio and life portfolio comprised 54% and 46%, respectively, of premium finance receivables. In 2015, average premium finance receivables increased $571.6 million, or 13%, compared to 2014. In 2014, average premium finance receivables increased $454.9 million, or 12%, from the average balance of $3.9 billion in 2013. The increase during 2015 and 2014 was the result of continued originations within the portfolio due to the effective marketing and customer servicing. Approximately $6.5 billion of premium finance receivables were originated in 2015 compared to approximately $6.2 billion in 2014.

Other loans represent a wide variety of personal and consumer loans to individuals as well as indirect automobile and consumer loans, and high-yielding short-term accounts receivable financing to clients in the temporary staffing industry located throughout the United States. Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk due to the type and nature of the collateral. Additionally, short-term accounts receivable financing may also involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral.

Covered loans averaged $186.4 million in 2015, and decreased $94.5 million, or 34%, when compared to 2014. In 2014, average covered loans totaled $280.9 million and decreased $181.6 million, or 39%, from 2013. Covered loans represent loans acquired through the nine FDIC-assisted transactions, all of which occurred prior to 2013. These loans are subject to loss sharing agreements with the FDIC. The FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, foreclosed real estate, and certain other assets during the respective terms of the loss share agreements. The Company expects the covered loan portfolio to continue to decrease as these acquired loans are paid off and as loss sharing agreements expire. See Note 7 — Business Combinations for a discussion of these acquisitions, including the aggregation of these loans by risk characteristics when determining the initial and subsequent fair value.

Liquidity Management Assets. Funds that are not utilized for loan originations are used to purchase investment securities and short- term money market investments, to sell as federal funds and to maintain in interest-bearing deposits with banks. Average liquidity management assets accounted for 16% of total average earning assets in 2015, 2014 and 2013. Average liquidity management assets increased $231.1 million in 2015 compared to 2014, and increased $204.2 million in 2014 compared to 2013. The balances of these assets can fluctuate based on management's ongoing effort to manage liquidity and for asset liability management purposes.

Other earning assets. Other earning assets include brokerage customer receivables and trading account securities. In the normal course of business, WHI activities involve the execution, settlement, and financing of various securities transactions. WHI's customer securities activities are transacted on either a cash or margin basis. In margin transactions, under an agreement with the out-sourced securities firm, credit is extended to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in customer's accounts. In connection with these activities, WHI executes and the out-sourced firm clears customer transactions relating to the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose WHI to off-balance-sheet risk, particularly in volatile trading markets, in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event a customer fails to satisfy its obligations, WHI under an agreement with the out-sourced securities firm, may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. WHI seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. WHI monitors required margin levels daily and, pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions when necessary.

Deposits and Other Funding Sources

Total deposits at December 31, 2015, were $18.6 billion, increasing $2.4 billion, or 14%, compared to the $16.3 billion at December 31, 2014. Average deposit balances in 2015 were $17.4 billion, reflecting an increase of $1.9 billion, or 12%, compared to the average balances in 2014. During 2014, average deposits increased $1.2 billion, or 8%, compared to the prior year.

The increase in year end and average deposits in 2015 over 2014 is primarily attributable to the Company's acquisition activity as well as additional deposits associated with the increased commercial lending relationships. The Company continues to see a beneficial shift in its deposit mix as average non-interest bearing deposits increased $1.1 billion, or 35% in 2015 compared to 2014, with period end balances ending at 26% of total deposits at December 31, 2015, compared to 22% at December 31, 2014.

The following table presents the composition of average deposits by product category for each of the last three years:

	Years Ended December 31,								
	2015			2014			2013		
(Dollars in thousands)	Balance	Percent		Balance	Percent		Balance	Percent	
Non-interest bearing deposits	$4,144,378	24	%	$3,062,338	20	%	$2,487,761	17	%
NOW and interest bearing demand deposits	2,246,451	13		2,028,485	13		2,049,573	14	
Wealth management deposits	1,456,289	8		1,227,072	8		987,885	7	
Money market accounts	3,888,781	23		3,575,605	23		3,048,045	21	
Savings accounts	1,610,603								