Krause Fund Research
Fall 2019

Financial Services

Wintrust Financial Corporation (WTFC)

Recommendation: HOLD | **November 15, 2019**

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Company Overview

Wintrust Financial Corporation (WTFC) is a multi-bank holding company founded in 1991 and headquartered in Rosemont, IL. The regional bank holds 15 subsidiary banks with more than 150 branches in the Midwest. Wintrust's three main business segments are Community Banking, Specialty Finance, and Wealth Management.[1] They have found success by expanding from the Chicago area to southern Wisconsin and eastern Indiana through small community bank acquisitions, while continuing to grow organically through loans and deposits.

Stock Performance Highlights

52-week High	$79.17
52-week Low	$59.34
Beta Value	1.271
Average Daily Volume (3 Mo)	371,296

Share Highlights

Market Capitalization	$3.767 B
Shares Outstanding	57.1 M
Book Value per share	$60.24
EPS (Q3 2019)	$1.69
P/E Ratio	10.7
P/B Ratio	1.17
Dividend Yield	1.4%
Dividend Payout Ratio	15.82%

Company Performance Highlights

ROA	1.0%
ROE	10.1%
Net Loans	25.35 B
Total Deposits	27.96 B

Financial Ratios

Loan to Asset Ratio	72.60%
Net Interest Margin (NIM)	3.37%

Current Price **$66.01**
Target Price **$68-$75**

WTFC Investment Thesis

We recommend a **hold** rating on Wintrust Financial Corporation due to their successful growth strategy, favorable metrics against comparable regional banks, and strong current economic conditions. However, despite these successes, our prediction of a slowing economy in the near future dampens Wintrust's outlook due to the cyclical nature of the industry and the company's high loan-to-asset ratio.

Drivers of Thesis

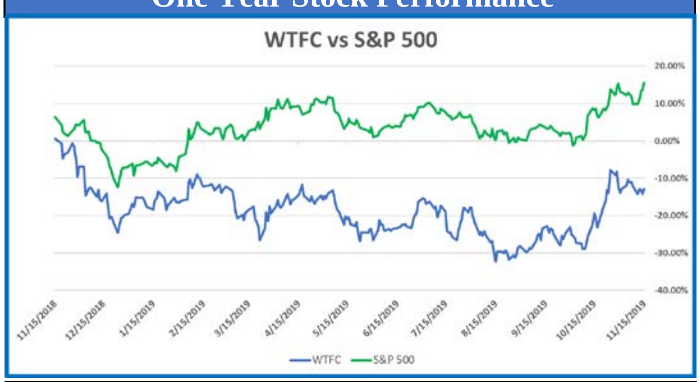
- ***Acquisition Strategy:*** Although an aggressive acquisition strategy does not always increase shareholder value, Wintrust has managed to acquire many small community banks in the Midwest while still increasing organic growth of loans and deposits by 9.75% and 10.96%, respectively, over the last three years.[1] We expect them to remain strong in this area.
- ***Peer Comparisons:*** Compared to other regional banks of similar size and geographic location, Wintrust outperforms most in ROE (10.1%) and NIM (3.37%), while sitting middle of the pack in P/B Ratio (1.1).[2] These metrics are very important for banks, and Wintrust looks promising when taking all three into consideration.

Risks to Thesis

- ***Slowing Economy:*** Due to the cyclical nature of the industry, slowing economic growth negatively affects Wintrust's profitability outlook. The recent inversion of the yield curve may indicate further economic slowdown, and the low Fed Funds rate may hurt bank yield spreads.

  Industry Changes: As technology and a younger demographic change the way banking services are offered, Wintrust must be quick and strategic with incorporating new technology in their business.

One Year Stock Performance



Economic Analysis

U.S. Federal Funds Rate

The federal funds rate has a significant influence over the banking sector as it is regarded as the benchmark for all short-term interest rates. The FOMC has cut rates three times in 2019. On July 31st, 2019, the FOMC cut rates for the first time in 11 years to a target rate of 2.00-2.25. This was followed by two consecutive 25 basis point cuts in August and October to lower the target rate to 1.50-1.75.[4] Lower rates could increase the volume of loans issued as consumers and companies want to borrow at a cheaper price. Decreasing this target rate also squeezes bank profits by decreasing their yield spread.

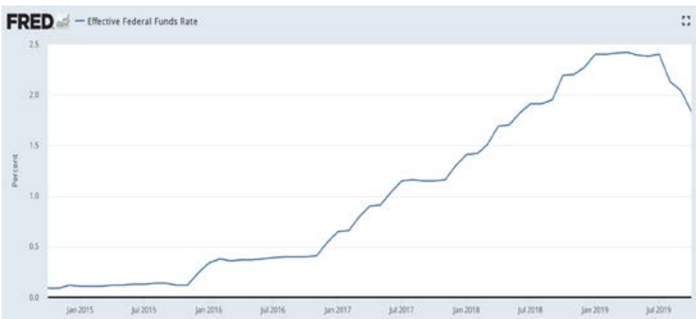


Figure 2: Effective Federal Funds Rate[5]

We are predicting that at the FOMC does not cut rates at the December meeting. Although real GDP growth came in higher than consensus in Q3, the FOMC proceeded with cutting rates. The Federal Reserve took this defensive approach as economic growth slows and Trump's trade war with China rages on, but we expect this to stop at the December FOMC meeting. In the short term of 6 months, we do not anticipate a rate cut but believe there is a 50% chance rates are lowered an additional 25 basis points by the end of 2020, which is in line with CME FedWatch Tool.[6]

U.S. Real Gross Domestic Product (GDP)

The U.S. real GDP represents the total value of goods and services produced each year and is an inflation-adjusted indicator of how the economy is doing as a whole. It is a key indicator for banking due to the cyclical nature of the industry; a high real GDP allows domestic businesses to borrow more money from financial institutions and indicates a favorable job market, which leads to consumers saving more and having the ability to pay back loans.

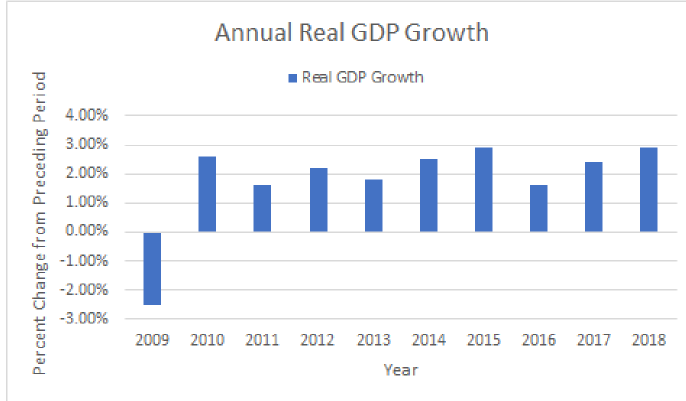


Figure 3: U.S. Annual Real GDP Growth Percentage[7]

As seen in Figure 3, the U.S. has seen somewhat steady, slow growth in real GDP since the financial crisis of 2008. We anticipate this trend to continue in the near future. The most recent GDP report for 2019 Q3 revealed a Q/Q increase of 1.9%, which is down from the previous increase of 2.0%.[8] Although the current administration has prioritized economic growth through methods like tax cuts, the current trade war between the U.S. and China may have significant factors on real GDP growth. We expect real GDP to slow down further in the coming quarters and fall to 1.75% in 2021. Slowing real GDP will likely negatively affect profitability for banks in the next few years.

U.S. Unemployment Rate

The unemployment rate is a key indicator for banks due to the cyclical nature of the sector. When the unemployment rate is low and the economy is performing well, consumers have more money in their pockets and bank accounts. This increases bank deposits and allows them to lend out more money. Low unemployment also translates to less delinquencies and defaults on consumer lending, meaning less credit losses for banks. In addition, companies will be looking to take out loans and inject capital into their operations when consumers are spending their wages. This makes the unemployment rate a critical statistic to consider when looking at the health of the banking industry and Wintrust's outlook.

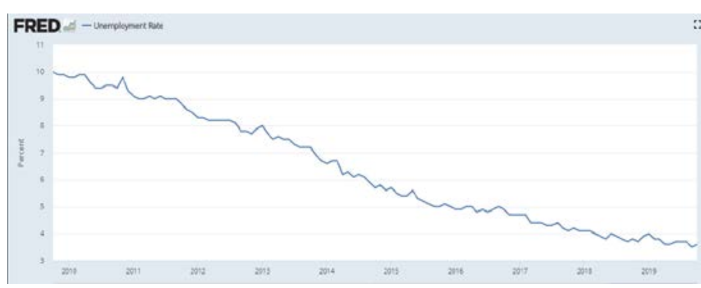


Figure 4: U.S. Unemployment Rate[9]

As seen in Figure 4, the unemployment rate has recently hovered around historic lows. It was recorded at 3.6% as of October 2019, one-tenth of a percent higher than the rate in

September of 2019, which was the lowest rate since 1953.[9] With the current labor market remaining very strong, we anticipate the unemployment rate to stay around 3.6% in the short term. In our 1-to-2-year outlook, we anticipate the unemployment rate will slightly increase to around 4.0% as economic growth slows and brings the unemployment rate closer to a historical average.

Yield Curve

The yield curve is extremely important to the financial success of a bank. Net interest margins of banks are directly affected by the yield curve, and banks have no control over it. Many analysts and investors look to this indicator to determine the outlook of the entire banking industry. A normal, upward-sloping yield curve means that bonds with longer maturity dates have higher yields than bonds of the same credit quality with shorter maturity dates. This allows banks to take their deposits, which they pay a very small amount of interest on and reinvest them in securities that pay higher rates of return to make a profit. When this curve is flattened or inverted, it squeezes banks' profits or completely eliminates their profit margins. Over the last four months, the yield curve has gone from being completely inverted to flattening out and is now slowly moving to upward-sloping. This may be a key indicator of an economic slowdown but is not a definite indicator of a recession.

Figure 5: 10-Year Treasury Spread vs 2-Year Treasury Spread[10]

As seen in Figure 5, the yield curve spread recently hit its lowest point since 2007. Since short term T-bills closely mimic the fed funds rate, the FOMC has indirectly helped reduce this inversion by lowering this rate. The yield curve has been slowly trending in the right direction over the last three months, and we anticipate that trend to continue in the short term. By the end of the first quarter of 2020, we expect the yield curve to be upward sloping, which will help the banking industry rally in a big way. In the long term, we believe the yield curve should stay relatively consistent with a positive 10-2yr spread, but the recent inversion is another factor that leads us to predict a slight economic slowdown.

Industry Analysis

Regional Banking Industry Description

The Global Industry Classification Standard identifies Wintrust as part of the Regional Banking Industry.[11] Regional banks are depository institutions that provide many of the same services as large commercial banks, such as receiving deposits, issuing different types of loans, and providing mortgage, lease, and credit card services. Each regional bank primarily operates in a certain geographic region; they are distinguished from community banks that operate in one state, and from commercial diversified banks that operate nation-wide.

Regional Bank Activities & Revenue Streams

Regional banks have a wide variety of revenue streams, but the majority comes from interest received on loan services such as personal, real estate, credit card, mortgage, commercial and industrial loans. They also earn revenues from non-interest earning income like wealth management services, depository services and ATM fees. These revenue streams can vary depending on the size and strategy of each bank but remain fairly consistent across the industry. Figure 6 below shows the proportion of revenue each product or service segment contributed to total industry revenue in 2018.

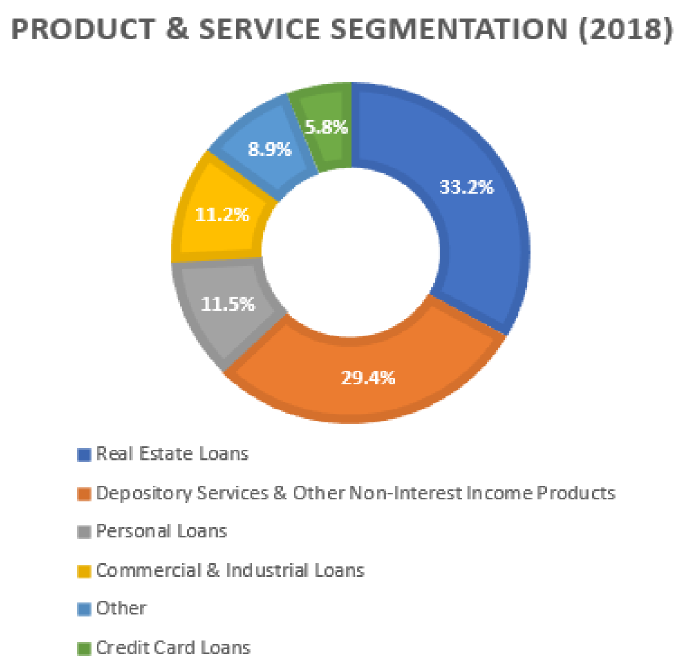


Figure 6: Regional Banks Product & Service Segmentation[12]

Porter's Five Forces Analysis

Competitive Rivalry: High

Incumbent rivalry in the banking industry is very intense. Banking is among the oldest and largest of all industries in American history, which is why there are thousands of banks competing for customers by ways of offering lower financing, higher rates on deposits, wider ranges of services, and better quality of customer service and convenience.[13] Although community, regional and diversified banks compete at different scales, each of these types of banks compete against one another to offer the best and most efficient services. Regional banks need to compete with larger commercial banks, which typically have the scale and technology to offer better rates and products to customers nation-wide, rather than in a specific region. On top of competing with the many banks in the United States, regional banks now compete with loan providers and other companies that can offer some of the same services without the tight regulation that the banking industry faces. Without these regulations, other organizations have the opportunity to offer better rates and services than regional banks. These factors make the incumbent highly competitive.

Threat of New Entrants: Moderate

It is difficult for new, smaller banks to grow to the scale of a regional bank due to the nature of competition within the industry. Some regional banks like Wintrust have been able to gain recognition in their respective regions through marketing and acquisitions of banks in the area, which further complicates the ability of smaller banks to compete in the industry. However, despite regulatory and capital requirements of opening a new bank, small banks can still operate at regional levels relatively easily, making the threat of new entrants moderate in the industry.[14]

Threat of Substitutes: High

With technology giving customers new, simpler ways to handle their money, banks face the threat of customers turning to other financial organizations that don't have the same regulations as banks. Fintech companies can offer services like lending, personal financial management, payment technology and cryptocurrencies, and can do so at lower prices than banks. This is especially intriguing to the younger generation as they may prefer to control their finances digitally rather than at the typical brick-and-mortar bank. Over half of the population of Gen Z uses a digital wallet and over 75% use a digital payment method like Venmo.[15] However, due to banks being such an integral part of the U.S. economy, it is likely that most banks will begin incorporating the same technology into their operations through mergers and acquisitions of fintech companies. As banks begin to serve a younger demographic, they will need to keep up with an efficient digital presence to fend off the threat of substitutes.

Bargaining Power of Customers: Moderate

Customers may have high switching costs between banks if they have automatic payments of bills and payroll deposits, but otherwise the costs of switching banks is relatively low. Customers have a multitude of options when considering switching banks, but since banks are typically similar regarding rates and types of loans, customers prefer to handle their money with banks that offer good customer service and convenience.

Bargaining Power of Suppliers: Moderate

Capital is the main resource for banks, and most of this capital comes from customer deposits and loans from other financial institutions. Banks are very competitive and must offer somewhat similar rates on customer deposits, so customers don't have much impact on those rates. As for capital borrowed from other financial institutions, regional banks like Wintrust are more likely to be price-takers from larger banks that have stronger bargaining power. This practice can decrease profit margins for regional and smaller banks.[14] However, banks typically adhere to the Federal Reserve target rate for overnight lending between banks.

Industry Trends

Technology

The advancement of technology in the banking industry is forcing banks to keep up with the latest technology trends to stay competitive. Banks are adapting by incorporating digital platforms like convenient online and mobile services that appeal to a younger demographic, but still need physical branch presence to serve the older demographic. Fintech companies are talked about as a threat to banks in the future due to their ability to offer many of the same services at a lower price because of less regulation. However, larger banks partnering with fintech companies will likely be a continuing trend; 81% of bank executives surveyed by Finextra said that collaborating with partners was the best strategy to achieve digital transformation.[16] These partnerships may make a difference in terms of future success for banks, but only if partnerships are done strategically. It may be difficult for large banks to scale partnerships with smaller fintech companies due to size and bank culture, and smaller banks may not have the resources or skills to identify and enter good partnerships.[16] Therefore, banks best positioned for success through fintech partnerships are those who have clear-cut value creation strategies aligned with their needs.

Percent of Banks Citing Area of Focus as "Very Important" to Their Fintech Partnership Strategies

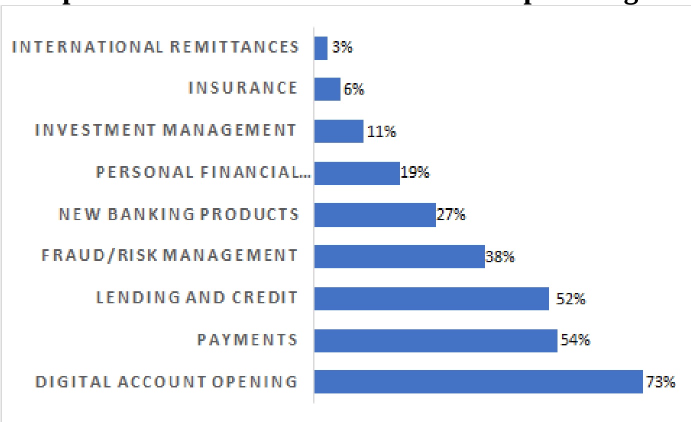


Figure 7: Cornerstone Advisors What's Going On in Banking Study[17]

Figure 7 shows the percent of banks citing certain areas of focus as "very important" to their fintech partnership strategies. Digital account opening is the most widely regarded as an important area of focus. Banks must realize where the biggest opportunities in the market are and what strategies align with their capabilities to have successful fintech partnerships. In their 2018 10K, Wintrust recognizes the competitive advantage that newer technology brings to banks and also points out the risks and costs associated with new technology. They realize larger competitors have better resources to invest in technology but don't go into detail about what efforts they will make to keep up with technological changes.[1]

Regulation

The banking industry is among the most heavily regulated industries in the United States. Agencies like the Federal Reserve and FDIC heavily regulate and closely supervise bank operations, especially in recent years due to the financial crisis, technology and market changes. In May 2018, the Economic Growth Act was signed into law to amend sections of the Dodd-Frank Act, which was the act that brought strict regulations on the financial sector post-financial crisis. The Economic Growth Act revised, among many things, the asset thresholds for determining the application of enhanced prudential standards for bank holding companies like Wintrust. However, this act could benefit competitors more than it benefits Wintrust since Wintrust was only subject to limited enhanced prudential standards prior to the enactment.[1]

Peer Comparisons

We have chosen to compare the following banks to Wintrust based on comparability in size, geographic location, and similarities in revenue decomposition. We analyzed Associated Banc-Corp (ASB), First Midwest Bancorp (FMBI), Commerce Bancshares (CBSH), and PNC Financial Services (PNC). Each of these is considered a regional bank. ASB, FMBI and CBSH are relatively similar in terms of size and location of operation, while PNC is a much larger regional bank operating primarily on the east coast.

For each bank, we compared the loan-to-asset ratio, return on equity (ROE), and net interest margin (NIM). A higher loan-to-assets ratio means the bank gets more of its income from loans and investments, rather than from more diversified and non interest-earning sources like asset management and trading. This is important because banks with lower loan-to-asset ratios may perform better during economic downturns and when interest rates are low. ROE reveals how effectively the bank is generating profit from the money that investors put into it; a higher ROE indicates the bank is effectively using the invested money. NIM reveals net profits on interest-earning assets like loans and investment securities. Because interest earned is a main revenue source for banks, NIM is a key indicator for evaluation of overall profitability. A higher NIM typically means a more profitable bank.

WTFC vs ASB

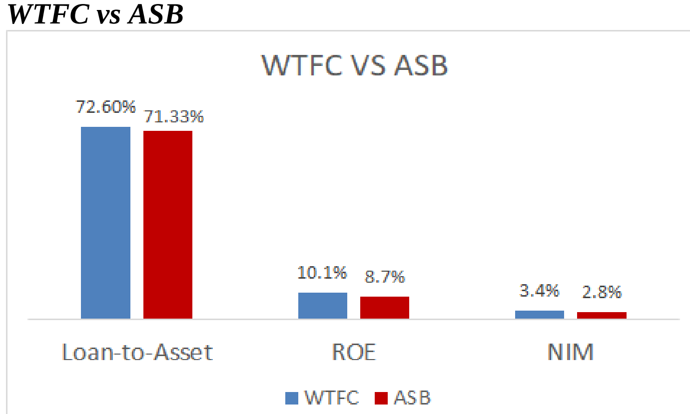


Figure 8: Wintrust vs. Associated Bancorp[18]

Associated Bancorp is headquartered in Green Bay, Wisconsin with 254 branches spread primarily through the state. It also has locations in Minneapolis, Chicago and St. Louis and Peoria.[18] Figure 8 above shows Wintrust and ASB have relatively similar loan-to-asset ratios, ROE, and NIM, but Wintrust has slightly higher ratios in each category. The higher loan-to-asset ratio may be risky for Wintrust in the coming years due to our prediction of a slight economic downturn, but the higher ROE and NIM favor Wintrust.

WTFC vs FMBI

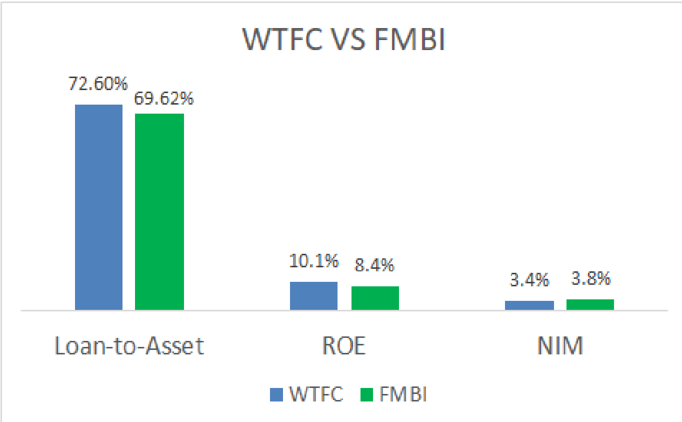


Figure 9: Wintrust vs. First Midwest Bancorp, Inc[19]

FMBI is headquartered in Chicago with 122 branches in approximately the same geographical location as Wintrust.[19] The loan-to-assets ratio shows Wintrust and FMBI are both relatively vulnerable to an economic downturn and won't earn as high of margins while interest rates are low, but both have good ROE and NIM metrics compared to other banks.

WTFC vs PNC

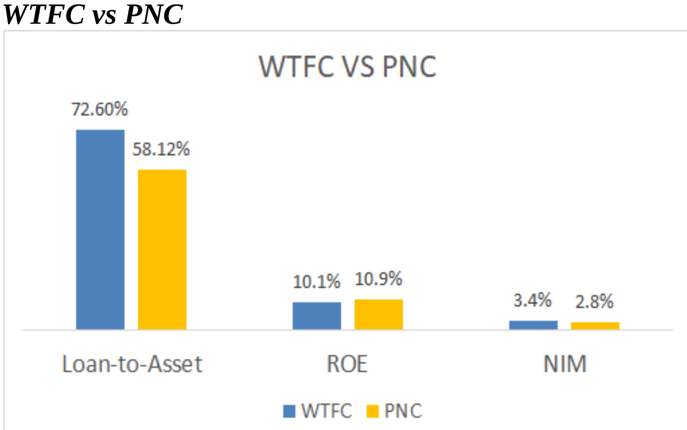


Figure 10: Wintrust vs. PNC Financial Services Group, Inc[20]

PNC is headquartered in Pittsburgh, Pennsylvania with 2,397 branches spread across the Midwest and east coast.[20] The loan-to-assets ratio shows PNC is better protected from an economic downturn, and their higher ROE signifies that they do a better job generating profit from invested money. However, Wintrust seems to do better in terms of profitability based on NIM, even though PNC is almost 10 times the size of Wintrust in terms of deposits.[20]

WTFC vs CBSH

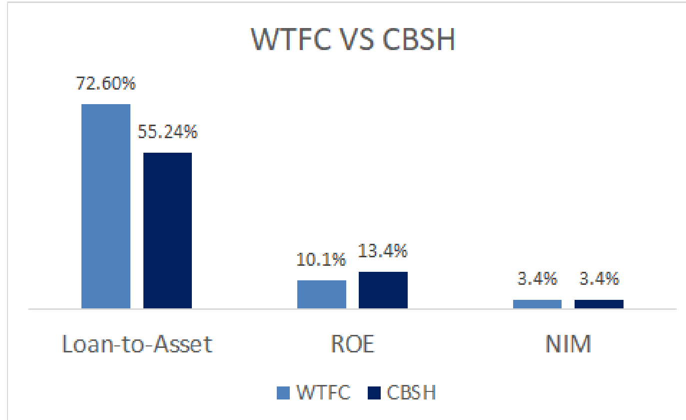


Figure 11: Wintrust vs. Commerce Bancshares, Inc[21]

Commerce Bancshares has 175 branches located throughout Missouri and Kansas, primarily in Kansas City and St. Louis.[21] Being that they are similar banks in terms of scale, CBSH measures better than Wintrust for the near future based on our prediction of a slight economic downturn. CBSH's loan-to-assets ratio puts them in a better position in the case of a downturn, their NIM is relatively high like Wintrust's, and they have a high ROE at 13.4%.

Price to Book Comparison

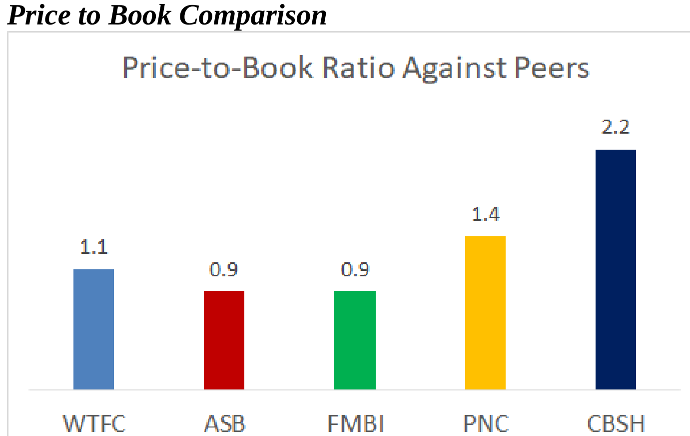


Figure 12: Price-to-Book Ratios[2]

The price to book ratio (P/B) is an important metric for banks as it reveals to investors how a bank generates value based its book value of assets. A higher ratio typically indicates a company will generate additional profits from its existing level of assets. Although Wintrust has a slightly higher P/B than two of the other regional banks with similar geographical scale, CBSH doubles its P/B ratio. However, some investors may see the lower P/B ratio as an indication of undervalued stock.

Tier 1 Capital Ratio

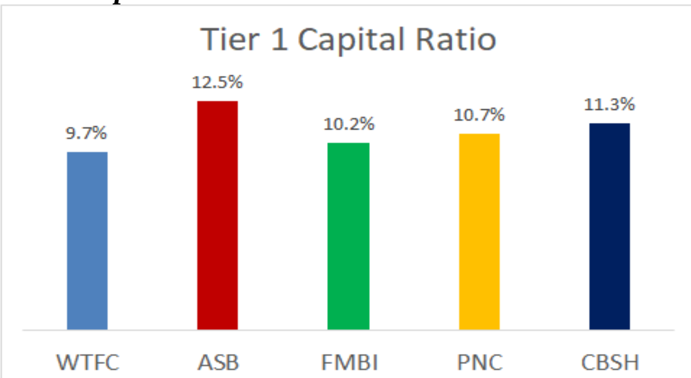


Figure 13: Tier 1 Capital Ratios[2]

Bank capital represents the value of a bank's equity instruments that can absorb losses; it is the difference between a bank's assets and liabilities.[22] Tier 1 capital, in particular, consists of shareholders' equity and retained earnings and is used to measure a bank's financial health. Banks use tier 1 capital when they need to absorb losses without stopping operations.[22] Therefore, if a bank has a lot of tier 1 capital, it is more protected in an economic downturn. Figure 13 shows that Wintrust is not as capitalized as other competing banks in the industry, which is risky for them based on our prediction of an economic downturn. As the economy slows and net interest margins shrink, they will have less capital than others to absorb losses.

Branch Comparisons

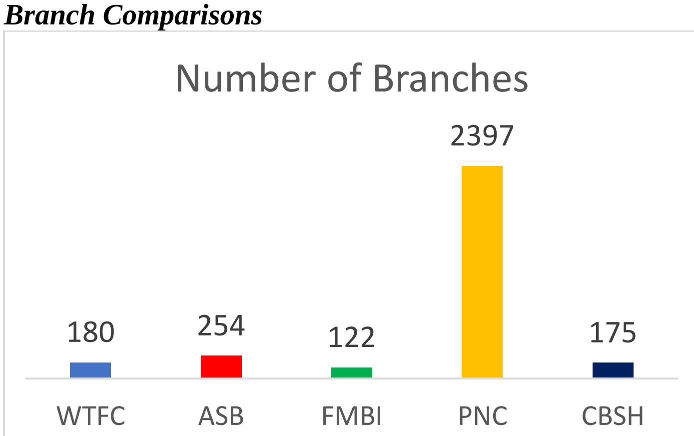


Figure 14: Number of Branches per Bank[2]

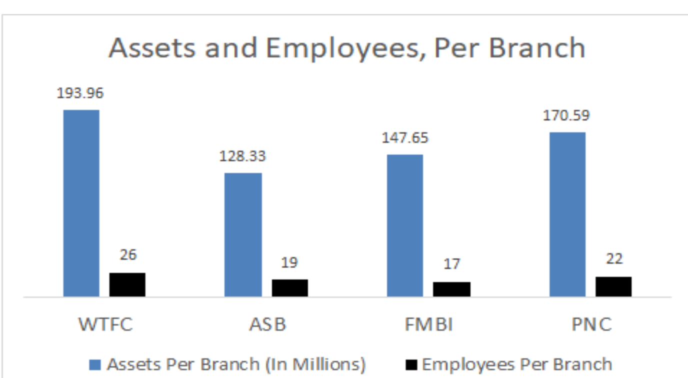


Figure 15: Assets per Branch & Employees per Branch[2]

The companies we compared Wintrust to are all similar in terms of number of branches, besides PNC, which has many more branches than any of the other regional banks. Figure 15 reveals Wintrust as having the most assets per branch. This is good for the Wintrust, as it shows more customers are depositing their money with them than any of the other compared banks on a per-branch basis.

Trends show that banks are trying to have fewer employees per branch due to technology improvements and for operational efficiency.[23] However, Wintrust has one of the highest numbers of employees per branch at approximately 26. Having the most employees per branch might not be good for Wintrust's cost structure.

Dividend Yield

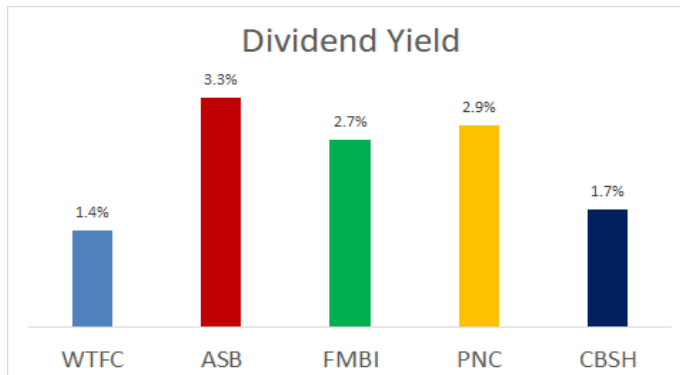


Figure 16: Competitor Dividend Yields[2]

As seen in Figure 16 above, Wintrust has a lower dividend yield than any of the regional banks we compared it to. Although Wintrust has been doing well growing organically and through acquisitions, investors should not expect high dividends compared to other regional bank payouts.

<u>Summary of Industry Analysis</u>

Industry leaders will be the regional banks that can remain more profitable than others while protecting themselves from an economic downturn in the near future. Wintrust's high NIM and ROE are attractive from an investor's standpoint in terms of profitability, but their high loan-to-assets ratio is concerning if the economy is to slow down. The low tier 1 capital ratio, high number of employees per branch and small dividend yield are all other concerning metrics for Wintrust compared to the rest of the industry.

Company Analysis

Company Overview and Business Description

Wintrust is a multi-bank holding company founded in 1991 and headquartered in Rosemont, IL. As seen in Figure 17, they operate mostly in Chicagoland and southern Wisconsin area with some banks in Indiana. Wintrust holds 15 subsidiary banks with more than 150 branches.[1] Most of these subsidiaries are named after the communities that they serve. Wintrust has three main business segments that make up their total revenues: Community Banking (77%), Specialty Finance (13%), and Wealth Management (7%).[2] In the last 5 years, they have made an effort to increase their presence in the Midwest by acquiring other local banks.

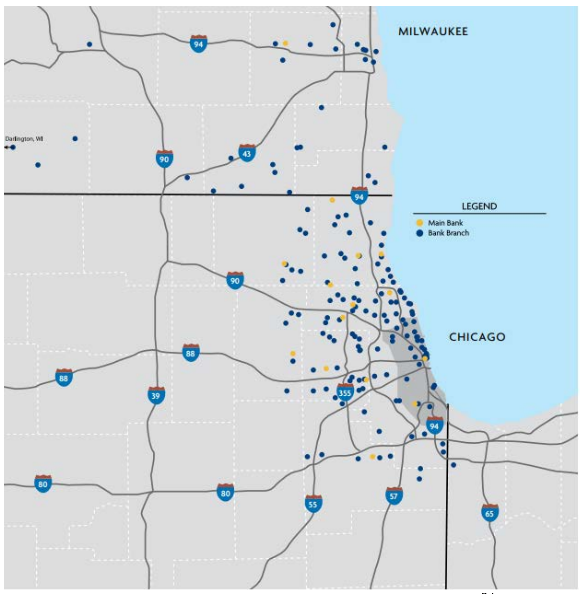


Figure 17: Map of Wintrust Branch Locations[24]

Strategy and Acquisition Growth

As a regional bank in the Midwest, Wintrust is positioned between small local banks and large diversified banks and attempts to offer its clients the best of both extremes. They are large enough to compete with large banks and financial institutions for commercial loans but pride themselves on giving individual consumers easy access to local branches and ATMs.[1]

Over the last 8 years, Wintrust has decided to pursue acquisitions of small community banks to increase deposits and spur growth. Since 2008, Wintrust has acquired 15 banks ranging in assets from $107-594 million. In 2018 they acquired two banks with combined assets of $445 million and have already acquired three more in 2019 with combined assets of over $1 billion.[1] Although acquisitions usually do not increase shareholder value due to the premium paid in the acquisition, Wintrust's loans have organically grown by an average of 9.75% over the last three years while their deposits have organically grown by an average of 10.96%.[1] If this organic growth continues, it may be enough to cancel out the premium paid on their aggressive acquisition strategy.

Financial Analysis

Wintrust's net income has grown by an average of 29.90% each year over the last three years. From 2016 to 2018, their net interest margin has increased each year and raised from 3.26% to 3.59%.[1] When looking to past performance over the last couple of years, Wintrust looks very strong. Based on past performance it could be assumed that, barring poor economic conditions, Wintrust would continue its strong performance into 2019 and beyond.

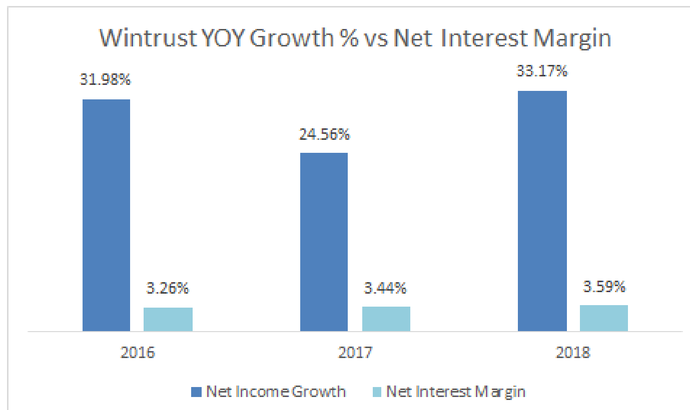
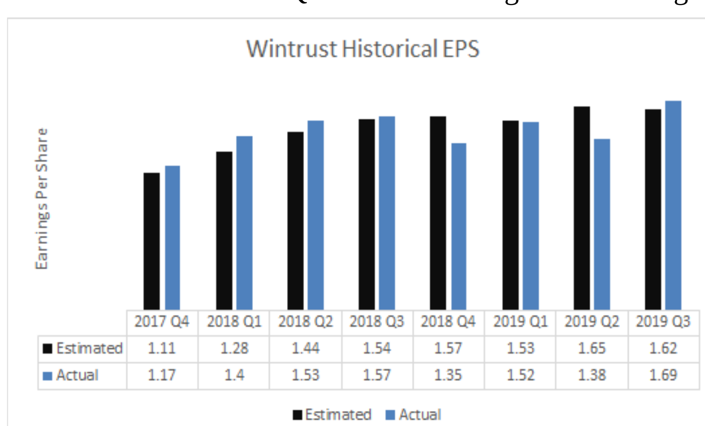


Figure 18: Wintrust Net Income Growth & NIM[2]

Although the economy and the stock market have performed well in 2019, Wintrust's earnings exemplify that it has been a difficult year for banks. In the 4th quarter of 2018 and the second quarter of 2019, their earnings per share were significantly lower than analysts predicted. Quarter 2 was not as much of a surprise but still one cent lower than analysts predicted. After an underperforming second quarter, Wintrust rallied in Q3 and beat analysts' earnings expectations by 7 cents at $1.69.[25] With good economic conditions like low employment and a strengthening yield curve, we anticipate Wintrust to continue this trend into Q4 of 2019 and begin 2020 strong.



	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
Estimated	1.11	1.28	1.44	1.54	1.57	1.53	1.65	1.62
Actual	1.17	1.4	1.53	1.57	1.35	1.52	1.38	1.69

Figure 19: Wintrust Historical EPS (estimate vs actual)[2]

SWOT Analysis

Strengths

One internal strength for Wintrust is their successful expansion in the Midwest. Starting as a Chicago-only bank, they have expanded throughout Illinois, moved into Wisconsin and Indiana, and have one branch in Florida. Because the overall banking industry has been consolidating over the last decade, Wintrust proving that they can acquire banks and continue to be successful is a huge strength. While primarily growing through acquisitions, their deposits and loans are also growing at a high rate organically each year, which is an important positive when looking at Wintrust's strategy.[1]

Another strength for Wintrust is their loan decomposition. Over the course of the last couple years, they have been increasing their commercial and commercial real estate loans. These types of loans earn higher rates of interest and are an important part of Wintrust's high net interest margin.[1]

Weaknesses

Wintrust's loans as a percentage of total assets is one of their weaknesses. An economic downturn would likely cause companies and individuals to default on their loans. With almost 75% percent of their assets being loans, Wintrust would be stranded with many of their assets gone. Another potential weakness is the geographic location of their branches. Although this is part of their business plan, lack of offices anywhere but the greater Chicagoland area can be seen as a weakness; other regional banks of similar size to Wintrust have placed branches in more regions of the United States to avoid being susceptible to poor economic conditions in one area.

Opportunities

Wintrust and the entire banking industry has the opportunity of purchasing, creating or partnering with Fintech companies. It seems to be an integral part of the future of banking in multiple different segments of the industry. Wintrust has recently partnered with MineralTree, an accounts payable company, to offer their digital payment solutions directly to their customers.[1] This is a good start for Wintrust as they move towards a more digital era that allows customers to make digital, plastic-free payments at a lower cost than before. Because over half of the Gen Z population uses a digital wallet and over 75% use a digital payment method like Venmo, making more strategic partnerships or acquisitions with these types of companies is a smart move.[15] This diversifies their assets and gives them a more innovative way to grow instead of only investing in the expansion of brick and mortar banks.

Threats

The main threat to Wintrust and the banking industry is the economy. As we know from historic performance and the crash of 2008, poor economic conditions can crush bank earnings. The current slowing GDP and low interest yields squeeze bank profits and act as the biggest threat to the industry. Poor economic conditions mean consumers will have less money for banks to invest, and companies may borrow less with no means for expansion.

Valuation Analysis

Overview

The models we built led us to a target price range for Wintrust of $68 to $75. Our various models incorporate the before-mentioned economic, industry, and Wintrust-specific factors to reach assumptions that we put into our Discounted Cash Flow Model (DCF), Economic Profit Model (EP), Dividend Discount Model (DDM), and Relative Valuation Analysis. The DDM, DCF and EP models gave us prices in the middle-to-high end of our target range, while the Relative Valuation model was slightly lower. We believe the DCF and EP models gave us the most accurate target prices because of the key assumptions that go into the models. However, because many regional banks are very similar in terms of growth, profitability, and risk, we believe the Relative Valuation model may be an accurate target price as well.

Revenue Decomposition

Wintrust's revenue comes primarily from interest income on their loans. The interest rates on loans are competitive and partially derived from the Federal Funds Rate. The rates have hovered slightly above 4% in recent years, and with the Federal Funds Rate being cut three times this year, we expect Wintrust rates to remain near or slightly below 4% through the continuing value (CV) year.

A smaller percentage of their revenue comes from non-interest income such as wealth management and mortgage banking services. We expect non-interest income to make up a slightly higher percentage of total income by the CV year, up from the current 23% to above 25%. This is partly based on our expected decline in Wintrust's net interest margin.

CV Growth Rate for Wintrust

Our 2023 continuing value of growth for Wintrust is 3.25%. This prediction is mainly based on our economic prediction, and specifically the outlook for GDP growth. Because bank profitability is very much dependent on how the overall

Important disclosure information appears on page 14 of this report.

economy is doing, we decided that setting our CV to closely match the U.S. nominal GDP growth rate made sense and worked well within our model.

Cost of Equity

Our team used the Capital Asset Pricing Model (CAPM) to determine the cost of equity. The 1.27 beta we used was based on an average of a variety of Wintrust's raw betas derived from Bloomberg, with both weekly and monthly values at various lengths of time. The risk-free rate of 1.84% is based on the U.S. 10-year Treasury Rate. Our market risk premium of 4.69% was derived from a geometric average of the U.S. equity risk premium dating back to 1928. With these inputs, we arrived at a cost of equity of 7.80%.

Discounted Cash Flow (DCF) and Economic Profit (EP) Models

Our Equity DCF and EP models gave us an intrinsic value of $72.13, which is 9.27% higher than what Wintrust currently trades at. We used Equity DCF and EP methods to account for value created from both sides of the balance sheet. Each of our models gave us target prices within a close range of each other, and we believe the DCF and EP models gave us the most accurate intrinsic value because of the assumptions that we could include in them. We forecasted cash flows to equity after coming up with growth rates that affected Wintrust's expected net income, change in total assets and change in total liabilities. We then discounted the cash flows by the cost of equity after computing the continuing value for equity. Based on these key assumptions, we were able to arrive at the value of $72.13. Both the Equity DCF and EP models gave us the same target price.

Dividend Discount Model (DDM)

In our DDM analysis we projected dividends per share using key assumptions like CV growth, CV ROE, and cost of equity. Wintrust has slowly increased their dividends per share in recent years, and we expect them to continue growing them by 25 cents per year until hitting $2.00 in the 2023 CV year. Through our DDM we arrived at a CV for dividends per share of $86.13, then discounted all of the forecasted dividends per share to the present value to arrive at an intrinsic value of $72.04. Although we believe the DCF and EP models have inputs to give us a more accurate valuation, the DDM analysis gave us a very similar target price that helped us estimate our target price range.

Relative Valuation Model

For our relative valuation model, we chose competitors to Wintrust that are similar in terms of geographic region, number of branches and revenue decomposition. The firms we compared were BB&T, FNB Corp, First Midwest Bancorp, Commerce Bancshares and Associated Bancorp. We originally had PNC and Northern Trust in the comparison as well, but those banks are very different in scale and operation, so they raised the implied relative value by a large amount. After taking those companies out, we evaluated each company based on Price to Book ratio (P/B) and Price to Equity ratio (P/E) but focused more on P/B because of its application to banks. Wintrust's P/B ratio at 1.17 is just below the average of its competitors and leads us to an implied relative value of $71.31. This is on the lower end of our target price range, but we believe it still gives us a somewhat accurate valuation since regional banks are very much comparable.

Sensitivity Analysis

We performed a sensitivity analysis on different economic factors and company specific metrics. Although factors like risk free rate and tax rate are out of Wintrust's control, interest on loans and other metrics tested could be influenced by a change in company strategy.

Beta vs Market Risk Premium

We used the market risk premium of 4.69% based on the historical data and calculated the beta of 1.271 based on a variety of different weekly and monthly regression models. When analyzing this data table, it is obvious that our model is much more sensitive to changes in the market risk premium as small changes of 0.5% change our stock price by $10 or more. By using this data table to predict potential changes in economic factors, we can expect a price range of $63.77-$99.24.

		Beta						
	$ 72.13	1.00	1.10	1.20	1.271	1.30	1.40	1.50
	6.00%	71.46	62.41	55.25	51.01	49.44	44.64	40.61
	5.50%	81.05	70.62	62.41	57.57	55.79	50.33	45.76
	5.00%	93.32	81.05	71.46	65.84	63.77	57.46	52.20
Risk Premium	4.69%	102.81	89.06	78.37	72.13	69.84	62.87	57.06
	4.00%	132.13	113.48	99.24	91.02	88.02	78.95	71.46
	3.50%	165.51	140.71	122.14	111.55	107.72	96.19	86.78
	3.00%	219.92	183.82	157.62	142.99	137.73	122.14	109.57

CV Growth vs Risk Free Rate

We chose the 10-year treasury rate as our risk-free rate. This has changed dramatically over the semester indirectly due to the FOMC and the economic outlook of the United States. This analysis was especially interesting as increasing and decreasing CV growth had little effect on our stock price. The risk-free rate had a slightly larger impact, but not by much. This is because our spread between cost of equity and CV ROE is so small. Unless the outlook for the 10-yr treasury changes dramatically, we don't anticipate CV growth having a large impact on the stock price in such an established industry. From this data table, we expect a price range of $69.16-$79.39.

		CV Growth						
	$ 72.13	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%
	2.25%	65.30	65.39	65.49	65.60	65.72	65.85	66.00
	2.00%	68.67	68.91	69.16	69.45	69.76	70.12	70.52
Risk Free Rate	1.84%	71.00	71.34	71.71	72.13	72.60	73.13	73.72
	1.50%	76.44	77.06	77.75	78.52	79.39	80.38	81.51
	1.25%	80.94	81.82	82.81	83.92	85.18	86.62	88.29

ROE vs Tax Rate

A corporate tax cut in 2017 has helped Wintrust and other firms increase their profits and ROE over the last few years. We tested how more tax decreases or a return to a higher tax rate would affect ROE and vise-versa. Small changes in both the tax rate and ROE for Wintrust did not have large effects on the stock price according to our model. We can expect a price of $70.26-$74.22.

		ROE						
	$ 72.13	7.80%	8.00%	8.20%	8.40%	8.60%	8.80%	9.00%
	23.40%	70.64	71.86	73.01	74.11	75.16	76.16	77.1[illegible]
	24.40%	69.76	70.95	72.09	73.18	74.22	75.20	76.1[illegible]
Tax Rate	25.50%	68.78	69.96	71.08	72.15	73.17	74.15	75.0[illegible]
	26.40%	67.98	69.15	70.26	71.31	72.32	73.28	74.2[illegible]
	27.40%	67.09	68.24	69.34	70.38	71.38	72.32	73.2[illegible]

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Wintrust Financial Corporation
Revenue Decomposition

Fiscal Years Ending Dec. 31	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Interest Income (% of Total Interest Income)								
Interest income & fees on loans	89.36%	90.50%	89.21%	89.69%	89.80%	89.57%	89.69%	89.69%
Mortgage loans held-for-sale	1.84%	1.30%	1.34%	1.50%	1.38%	1.41%	1.43%	1.41%
Interest bearing deposits with banks	0.52%	0.98%	1.46%	0.99%	1.14%	1.20%	1.11%	1.15%
Federal funds sold & securities purchased under resale agreements	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment securities	7.64%	6.69%	7.46%	7.26%	7.14%	7.29%	7.23%	7.22%
Trading account securities	0.01%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%
Federal Home Loan Bank & Federal Reserve Bank stock	0.53%	0.46%	0.46%	0.48%	0.47%	0.47%	0.47%	0.47%
Brokerage customer receivales	0.10%	0.07%	0.06%	0.08%	0.07%	0.07%	0.07%	0.07%
Percentage of Loans Held (% of Total Loans)								
Commercial Loans	30.48%	31.37%	32.86%	33.19%	33.53%	33.86%	34.20%	34.54%
Commercial Real Estate Loans	31.45%	30.41%	29.11%	28.81%	28.53%	28.24%	27.96%	27.68%
Home Equity Loans	3.68%	3.06%	2.32%	2.30%	2.27%	2.25%	2.23%	2.21%
Residential Real Estate Loans	3.58%	3.85%	4.21%	4.25%	4.29%	4.34%	4.38%	4.42%
Premium Finance Receivables - Commercial Loans	12.58%	12.17%	11.93%	11.86%	11.79%	11.71%	11.63%	11.53%
Premium Finance Receivables - Life Insurance Loans	17.61%	18.65%	19.07%	19.08%	19.09%	19.10%	19.10%	19.11%
Indirect Consumer Loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Consumer & Other Loans	0.62%	0.50%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
Covered Loans	0.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-Interest Income (% of Total Non-Interest Income)								
Wealth management	23.36%	25.59%	25.54%	24.83%	25.32%	25.23%	25.13%	25.23%
Mortgage banking	39.56%	35.51%	38.46%	37.85%	37.28%	37.86%	37.66%	37.60%
Service charges on deposit accounts	9.59%	10.80%	10.22%	10.20%	10.41%	10.28%	10.30%	10.33%
Gains (losses) on investment securities, net	2.35%	0.01%	-0.81%	0.52%	-0.09%	-0.13%	0.10%	-0.04%
Fees from covered call options	3.52%	1.38%	0.99%	1.96%	1.44%	1.46%	1.62%	1.51%
Gain on bargain purchase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading gains (losses), net	0.03%	-0.26%	0.00%	-0.08%	-0.11%	-0.06%	-0.08%	-0.09%
Operating lease income, net	5.05%	9.28%	10.80%	8.38%	9.48%	9.55%	9.14%	9.39%
Other noninterest income	16.54%	17.69%	14.80%	16.34%	16.28%	15.81%	16.14%	16.07%
Interest Expense on Deposits (% of Total Deposits)								
Interest expense on NOW & interest bearing demand deposits	6.87%	6.03%	5.87%	6.26%	6.05%	6.06%	6.12%	6.08%
Interest expense on wealth management deposits	14.05%	16.74%	16.71%	15.84%	16.43%	16.33%	16.20%	16.32%
Interest expense on money market accounts deposits	15.84%	15.11%	25.80%	18.92%	19.94%	21.55%	20.14%	20.54%
Interest expense on savings accounts deposits	5.67%	9.26%	6.87%	7.27%	7.80%	7.31%	7.46%	7.52%
Interest expense on time deposits	57.56%	52.86%	44.74%	51.72%	49.77%	48.75%	50.08%	49.53%
Interest Expense (% of Total Interest Expense)								
Interest expense on deposits	64.71%	72.84%	80.89%	76.86%	78.88%	77.87%	78.37%	78.12%
Interest expense on Federal Home Loan Bank advances	12.06%	7.69%	6.03%	6.86%	6.44%	6.65%	6.55%	6.60%
Interest expense on other borrowings	4.82%	4.69%	4.18%	4.44%	4.31%	4.37%	4.34%	4.35%
Interest expense on secured borrowings - owed to securitization investors	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense on subordinated notes	7.88%	6.22%	3.46%	4.84%	4.15%	4.49%	4.32%	4.41%
Interest expense on junior subordinated debentures	10.53%	8.55%	5.45%	7.00%	6.23%	6.61%	6.42%	6.52%
Non-Interest Expense (% of Total Non-Interest Expense)								
Salaries & employee benefits	59.43%	58.77%	58.11%	58.77%	58.55%	58.48%	58.60%	58.54%
Equipment	5.44%	5.24%	5.20%	5.29%	5.24%	5.25%	5.26%	5.25%
Equipment on operating lease	1.95%	3.29%	3.55%	2.93%	3.26%	3.24%	3.14%	3.21%
Occupancy, net	7.47%	7.23%	7.00%	7.23%	7.15%	7.13%	7.17%	7.15%
Data processing	4.22%	4.30%	4.24%	4.26%	4.27%	4.25%	4.26%	4.26%
Advertising & marketing	3.63%	4.21%	4.98%	4.28%	4.49%	4.58%	4.45%	4.51%
Professional fees	2.99%	3.80%	3.91%	3.57%	3.76%	3.75%	3.69%	3.73%
Amortization of other intangible assets	0.70%	0.60%	0.55%	0.62%	0.59%	0.59%	0.60%	0.59%
FDIC insurance	2.36%	2.22%	2.08%	2.22%	2.17%	2.16%	2.18%	2.17%
OREO expenses, net	0.76%	0.49%	0.74%	0.66%	0.63%	0.68%	0.66%	0.66%
Other	11.05%	9.83%	9.63%	10.17%	9.88%	9.89%	9.98%	9.92%

Wintrust Financial Corporation
Balance Sheet (Millions)

Fiscal Years Ending Dec. 31	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Assets								
Cash & due from banks	267.194	277.534	392.142	469.766	572.834	664.405	744.167	821.283
Federal funds sold & securities purchased under resale agreements	2.851	0.057	0.058	0.058	0.058	0.058	0.058	0.058
Interest bearing deposits with banks	980.457	1063.242	1099.594	1110.590	1121.696	1132.913	1144.242	1155.684
Available-for-sale securities, at fair value	1724.667	1803.666	2126.081	2163.394	2201.361	2239.995	2279.307	2319.309
Held-to-maturity securities, at amortized cost	635.705	826.449	1067.439	1086.173	1105.235	1124.632	1144.369	1164.453
Trading account securities	1.989	0.995	1.692	1.722	1.752	1.783	1.814	1.846
Equity securities with readily determinable fair value	-	-	34.717	37.147	39.747	42.132	44.660	47.340
Federal Home Loan Bank & Federal Reserve Bank stock	133.494	89.989	91.354	91.811	92.270	92.731	93.195	93.661
Brokerage customer receivables	25.181	26.431	12.609	13.239	13.901	14.875	15.470	10.829
Mortgage loans held-for-sale	418.374	313.592	264.070	277.274	291.137	305.694	320.979	337.028
Commercial Loans	6005.422	6787.677	7828.538	8806.318	8894.381	9441.744	9925.466	10352.529
Commercial Real Estate Loans	6196.087	6580.618	6933.252	7644.771	7568.324	7874.990	8114.514	8296.060
Home Equity Loans	725.793	663.045	552.343	609.027	602.936	627.367	646.449	660.912
Residential Real Estate Loans	705.221	832.120	1002.464	1127.671	1138.948	1209.039	1270.981	1325.667
Premium Finance Receivables - Commercial Loans	2478.581	2634.565	2841.659	3146.079	3126.944	3266.098	3374.965	3456.683
Premium Finance Receivables - Life Insurance Loans	3470.027	4035.059	4541.794	5061.006	5063.536	5324.590	5544.732	5728.907
Indirect Consumer Loans	-	-	-	-	-	-	-	-
Consumer & Other Loans	122.041	107.713	120.641	134.379	134.392	141.264	147.046	151.870
Covered Loans	58.145	-	-	-	-	-	-	-
Total Loans	**19703.172**	**21640.797**	**23820.691**	**25107.008**	**26530.576**	**27884.431**	**29022.785**	**29971.830**
Less: Allowance for loan losses	122.291	137.905	152.770	159.430	168.469	177.066	184.295	190.321
Net loans	**19637.704**	**21502.892**	**23667.921**	**24947.579**	**26362.107**	**27707.365**	**28838.490**	**29781.509**
Premises & equipment, net	597.301	621.895	671.169	684.592	698.284	712.250	726.495	741.025
Lease investments, net	129.402	212.335	233.208	237.872	242.630	247.482	252.432	257.480
Accrued interest receivable & other assets	593.796	567.374	696.707	785.849	830.406	872.782	908.412	938.118
Trade date securities receivable	-	90.014	263.523	217.044	229.350	241.054	250.895	259.099
Goodwill	498.587	501.884	573.141	573.141	573.141	573.141	573.141	573.141
Other intangible assets	21.851	17.621	49.424	39.539	31.631	25.305	20.244	16.195
Total assets	**25668.553**	**27915.970**	**31244.849**	**32736.789**	**34407.541**	**35998.596**	**37358.370**	**38518.057**
Liabilities								
Deposits								
Non-interest bearing deposits	5927.377	6792.497	6569.880	6817.235	7139.349	7442.950	7696.159	7905.494
NOW Accounts	2624.442	2315.055	2897.133	3111.745	3258.775	3397.355	3512.933	3608.484
Wealth Management Deposits	2209.617	2323.699	2996.764	2970.360	3110.710	3242.993	3353.320	3444.530
Money Market Deposits	4441.811	4515.353	5704.866	5794.796	6068.601	6326.668	6541.901	6719.841
Savings Deposits	2180.482	2829.373	2665.194	3052.283	3196.503	3332.434	3445.804	3539.530
Time Certificate of Deposit	4274.903	4407.370	5260.841	5522.519	5783.458	6029.400	6234.520	6404.099
Total Interest bearing deposits	15731.255	16390.850	19524.798	20451.704	21418.047	22328.849	23088.477	23716.483
Total Deposits	**21658.632**	**23183.347**	**26094.678**	**27268.939**	**28557.396**	**29771.799**	**30784.636**	**31621.978**
Federal Home Loan Bank advances	153.831	559.663	426.326	426.326	426.326	426.326	426.326	426.326
Notes payable	52.445	41.222	144.461	99.790	105.448	110.829	115.354	119.126
Short term borrowings	61.809	17.209	50.593	37.421	39.543	41.561	43.258	44.672
Other borrowings	18.154	49.131	47.722	44.906	47.452	49.873	51.909	53.607
Secured borrowings	130.078	158.561	151.079	162.159	171.354	180.098	187.450	193.580
Subordinated notes	138.971	139.088	139.210	136.214	143.937	151.282	157.458	162.607
Junior subordinated debentures	253.566	253.566	253.566	253.566	253.566	253.566	253.566	253.566
Accrued interest payable & other liabilities	505.450	537.244	669.644	693.741	727.446	759.685	787.205	810.481
Total Liabilities	**22972.936**	**24939.031**	**27977.279**	**29123.062**	**30472.468**	**31745.020**	**32807.162**	**33685.942**
Shareholders Equity								
TARP - preferred stock series A, B & Preffered Stock C	126.257	-	-	-	-	-	-	-
Series D preferred stock	125.000	125.000	125.000	125.000	125.000	125.000	125.000	125.000
Common stock	1392.860	1556.114	1614.502	1625.337	1636.173	1647.008	1648.091	1648.091
Treasury stock, at cost	(4.589)	(4.986)	(5.634)	(6.732)	(7.259)	(7.786)	(8.312)	(8.839)
Retained earnings (accumulated deficit)	1096.518	1313.657	1610.574	1915.550	2226.588	2534.783	2831.858	3113.292
Accumulated other comprehensive income (loss)	(65.328)	(41.835)	(76.872)	(45.429)	(45.429)	(45.429)	(45.429)	(45.429)
Total Shareholders Equity	**2695.617**	**2976.939**	**3267.570**	**3613.727**	**3935.073**	**4253.576**	**4551.208**	**4832.115**
Total Liabilites and Shareholders Equity	**25668.553**	**27915.970**	**31244.849**	**32736.789**	**34407.541**	**35998.596**	**37358.370**	**38518.057**

Wintrust Financial Corporation

Income Statement (Millions)

Fiscal Years Ending Dec. 31	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Interest Income								
Interest income & fees on loans	726.048	856.549	1044.502	1092.127	1126.260	1146.931	1165.335	1178.161
Mortgage loans held-for-sale	14.953	12.332	15.738	18.214	17.320	18.017	18.554	18.461
Interest bearing deposits with banks	4.236	9.252	17.090	12.008	14.312	15.311	14.392	15.083
Federal funds sold & securities purchased under resale agreements	0.004	0.002	0.001	0.003	0.002	0.002	0.003	0.003
Investment securities	62.038	63.315	87.382	88.437	89.531	93.328	93.941	94.833
Trading account securities	0.075	0.025	0.043	0.063	0.048	0.054	0.057	0.055
Federal Home Loan Bank & Federal Reserve Bank stock	4.287	4.370	5.331	5.864	5.847	5.989	6.131	6.155
Brokerage customer receivales	0.816	0.623	0.723	0.925	0.851	0.878	0.920	0.907
Total interest income	**812.457**	**946.468**	**1170.810**	**1217.642**	**1254.172**	**1280.509**	**1299.333**	1313.658
Interest Expense								
Interest expense on NOW & interest bearing demand deposits	4.014	5.027	9.773	10.023	10.409	10.399	10.592	10.685
Interest expense on wealth management deposits	8.206	13.952	27.839	25.364	27.331	27.133	27.418	27.864
Interest expense on money market accounts deposits	9.254	12.588	42.973	30.300	33.170	35.818	34.085	35.078
Interest expense on savings accounts deposits	3.313	7.715	11.444	11.640	12.972	12.152	12.626	12.846
Interest expense on time deposits	33.622	44.044	74.524	82.843	82.792	81.009	84.769	84.577
Interest expense on deposits	58.409	83.326	166.553	160.170	166.333	166.183	169.263	170.745
Interest expense on Federal Home Loan Bank advances	10.886	8.798	12.412	14.294	13.588	14.195	14.141	14.424
Interest expense on other borrowings	4.355	5.370	8.599	9.242	9.080	9.327	9.369	9.517
Interest expense on secured borrowings	-	-	-	-	-	-	-	-
Interest expense on subordinated notes	7.111	7.116	7.121	10.085	8.749	9.591	9.333	9.634
Interest expense on junior subordinated debentures	9.503	9.782	11.222	14.588	13.128	14.113	13.863	14.242
Total interest expense	**90.264**	**114.392**	**205.907**	**208.378**	**210.878**	**213.409**	**215.970**	**218.562**
Net interest income	**722.193**	**832.076**	**964.903**	**1009.265**	**1043.293**	**1067.100**	**1083.363**	**1095.096**
Provision for credit losses	34.084	29.768	34.832	42.999	42.168	41.323	42.751	44.135
Net interest income after provision for credit losses	**688.109**	**802.308**	**930.071**	**966.265**	**1001.125**	**1025.777**	**1040.612**	**1050.961**
Non-Interest Income								
Wealth management	76.018	81.766	90.963	92.855	98.950	102.591	105.895	109.799
Mortgage banking	128.743	113.472	136.990	141.530	145.666	153.952	158.717	163.655
Service charges on deposit accounts	31.210	34.513	36.404	38.161	40.678	41.794	43.397	44.956
Gains (losses) on investment securities, net	7.645	0.045	(2.898)	1.932	(0.369)	(0.531)	0.410	(0.185)
Fees from covered call options	11.470	4.402	3.519	7.343	5.639	5.956	6.843	6.575
Gain on bargain purchase	-	-	-	-	-	-	-	-
Trading gains (losses), net	0.091	(0.845)	0.011	(0.291)	(0.442)	(0.255)	(0.356)	(0.377)
Operating lease income, net	16.441	29.646	38.451	31.322	37.060	38.839	38.507	40.874
Other noninterest income	53.812	56.507	52.710	61.106	63.602	64.266	68.021	69.962
Total non-interest income	**325.430**	**319.506**	**356.150**	**373.958**	**390.786**	**406.612**	**421.433**	**435.259**
Non-Interest Expense								
Salaries & employee benefits	405.158	430.078	480.077	498.456	509.728	522.562	537.528	551.245
Equipment	37.055	38.358	42.949	44.883	45.654	46.869	48.252	49.433
Equipment on operating lease	13.259	24.107	29.305	24.840	28.352	28.991	28.833	30.271
Occupancy, net	50.912	52.920	57.814	61.342	62.282	63.699	65.785	67.338
Data processing	28.776	31.495	35.027	36.087	37.140	38.011	39.060	40.107
Advertising & marketing	24.776	30.830	41.140	36.264	39.084	40.942	40.810	42.436
Professional fees	20.411	27.835	32.306	30.273	32.744	33.484	33.871	35.156
Amortization of other intangible assets	4.789	4.401	4.571	5.250	5.147	5.253	5.498	5.582
FDIC insurance	16.065	16.231	17.209	18.822	18.921	19.289	20.031	20.451
OREO expenses, net	5.187	3.593	6.120	5.633	5.502	6.068	6.040	6.181
Other	75.297	71.969	79.570	86.259	86.003	88.410	91.554	93.387
Total non-interest expense	**681.685**	**731.817**	**826.088**	**848.110**	**870.557**	**893.579**	**917.261**	**941.585**
Income before taxes	331.854	389.997	460.133	492.113	521.353	538.811	544.784	544.635
Income tax expense (benefit)	124.979	132.315	116.967	125.489	132.945	137.397	138.920	138.882
Net income (loss)	**206.875**	**257.682**	**343.166**	**366.624**	**388.408**	**401.414**	**405.864**	**405.753**
Preferred stock dividends	14.513	9.778	8.200	8.200	8.200	8.200	8.200	8.200
Net income applicable to common shares	**192.362**	**247.904**	**334.966**	**358.424**	**380.208**	**393.214**	**397.664**	**397.553**
Dividends Per Share (Singles)	0.480	0.560	0.760	1.000	1.250	1.500	1.750	2.000
EPS - basic	3.830	4.530	5.950	5.814	6.143	6.327	6.397	6.396
Shares outstanding	57.007	60.965	61.408	61.647	61.896	62.146	62.165	62.159

Wintrust Financial Corporation

Cash Flow Statement (Millions)

Fiscal Years Ending Dec. 31	2016	2017	2018
Operating Activities			
Net income	**206.88**	**257.68**	**343.17**
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	34.08	29.77	34.83
Depreciation, amortization & accretion, net	53.15	63.11	67.67
Deferred income tax expense (benefit)	6.68	63.24	55.22
Stock-based compensation expense	8.71	12.86	13.50
Net amortization (accretion) of premium on securities	5.65	6.10	7.41
Accretion of discounts on loans	(35.57)	(22.78)	(20.32)
Mortgage servicing rights fair value change, net	3.41	1.86	5.37
Originations & purchases of mortgage loans held-for-sale	(4386.34)	(3692.09)	(3955.44)
Proceeds from sales of mortgage loans held-for-sale	4468.98	3869.14	4076.89
Bank owned life insurance incom, net of claims	(3.59)	(3.52)	(5.45)
Trading securities, net	(1.54)	0.99	(0.70)
Brokerage customer receivables	2.45	(1.25)	13.82
Losses (gains) on mortgage loans sold	(112.98)	(88.70)	(105.00)
Losses (gains) on investment securities, net, & dividend reinvestment on equity securities	(7.65)	(0.05)	2.00
Gains on early extinguishment of debt, net	(3.59)	-	-
Loss (gain) on sales of premises & equipment, net	(0.31)	(0.19)	0.06
Net losses (gains) on sales & fair value adjustments of other real estate owned	1.38	0.64	4.66
Gain on termination of loss share agreements with the federal deposit insurance corporation	-	(0.39)	-
Accrued interest receivable & other assets, net	(43.61)	(126.07)	(133.52)
Accrued interest payable & other liabilities, net	113.26	30.69	(27.00)
Net cash flows from operating activities	**309.08**	**401.04**	**377.18**
Investing Activities			
Proceeds from maturities & calls of available-for-sale securities	1234.16	284.26	352.68
Proceeds from maturities & calls of held-to-maturity securities	735.04	109.00	11.13
Proceeds from sales of available-for-sale securities	2208.01	336.54	214.20
Proceeds from sales of equity securities with readily determinable fair value	-	-	1.90
Proceeds from sales & capital distributions of equity securities without readily determinable fair value	-	-	1.32
Purchases of available-for-sale securities	(3398.64)	(774.07)	(1095.38)
Purchases of held-to-maturity securities	(486.70)	(301.96)	(253.13)
Purchases of equity securities without readily determinable fair value	-	-	(4.59)
Redemption (purchase) of Federal Home Loan Bank & Federal Reserve Bank stock, net	(31.91)	43.51	(1.37)
Distributions from investments in partnerships, net	-	-	3.41
Net cash paid in business combinations	(613.62)	(0.28)	(53.87)
Proceeds from sales of other real estate owned	38.37	18.74	19.38
Proceeds received from (paid to) the FDIC related to reimbursements on covered assets	1.21	(15.41)	-
Net decrease (increase) in interest-bearing deposits with banks	(366.59)	(81.62)	(15.99)
Net increase in loans	(1779.91)	(1863.25)	(1883.35)
Redemptions of bank owned life insurance	1.84	-	8.44
Purchases of premises & equipment, net	(33.92)	(59.19)	(68.27)
Net cash flows from investing activities	**(2492.67)**	**(2303.74)**	**(2763.50)**
Financing Activities			
Increase (decrease) in deposit acounts	2769.02	1524.85	2547.40
(Decrease) increase in subordinated notes & other borrowings, net	(3.41)	(4.89)	137.26
Increase (decrease) in Federal Home Loan Bank advances, net	(707.59)	403.00	(148.00)
Cash Payments to settle contigent consideration liabilities			
Proceeds from the issuance of common stock, net	152.91	-	-
Redemption of junior subordinated debentures, ent	(10.70)	-	-
Excess tax benefits from stock-based compensation arrangements	0.95	-	-
Issuance of common stock resulting from exercise of stock options, employee stock purchase plan & cor	15.83	28.23	15.90
Common stock repurchases for tax withholdings related to stock-based compensation	(0.62)	(0.40)	(0.65)
Dividends paid	(38.57)	(40.54)	(50.99)
Net cash flows from financing activities	**2177.83**	**1910.25**	**2500.93**
Net increase (decrease) in cash & cash equivalents	(5.75)	7.55	114.61
Cash & cash equivalents at beginning of period	275.80	270.05	277.59
Cash & cash equivalents at end of period	270.05	277.59	392.20

Wintrust Financial Corporation

Cash Flow Statement Forecast (Millions)

Fiscal Years Ending Dec. 31	2019E	2020E	2021E	2022E	2023E
Net Income	366.624	388.408	401.414	405.864	405.753
Operating Activities:					
Federal funds sold & securities purchased under resale agreements	0.000	0.000	0.000	0.000	0.000
Interest bearing deposits with banks	(10.996)	(11.106)	(11.217)	(11.329)	(11.442)
Available-for-sale securities, at fair value	(37.313)	(37.968)	(38.634)	(39.312)	(40.002)
Held-to-maturity securities, at amortized cost	(18.734)	(19.062)	(19.397)	(19.737)	(20.084)
Trading account securities	(0.030)	(0.030)	(0.031)	(0.031)	(0.032)
Equity securities with readily determinable fair value	(2.430)	(2.600)	(2.385)	(2.528)	(2.680)
Brokerage customer receivables	(0.630)	(0.662)	(0.973)	(0.595)	4.641
Mortgage loans held-for-sale	(13.204)	(13.864)	(14.557)	(15.285)	(16.049)
Net loans	(1279.658)	(1414.528)	(1345.258)	(1131.125)	(943.019)
Accrued interest receivable & other assets	(89.142)	(44.558)	(42.376)	(35.630)	(29.705)
Trade date securities receivable	46.479	(12.306)	(11.704)	(9.841)	(8.204)
Total Deposits	1174.261	1288.457	1214.403	1012.837	837.342
Federal Home Loan Bank advances	0.000	0.000	0.000	0.000	0.000
Short term borrowings	(13.172)	2.122	2.018	1.697	1.415
Secured borrowings	11.080	9.194	8.744	7.352	6.130
Net Cashflows Provided by Operating	133.136	131.498	140.048	162.336	184.064
Investing Activities:					
Federal Home Loan Bank & Federal Reserve Bank stock	(0.457)	(0.459)	(0.461)	(0.464)	(0.466)
Premises & equipment, net	(13.423)	(13.692)	(13.966)	(14.245)	(14.530)
Lease investments, net	(4.664)	(4.757)	(4.853)	(4.950)	(5.049)
Goodwill	0.000	0.000	0.000	0.000	0.000
Other intangible assets	9.885	7.908	6.326	5.061	4.049
Accrued interest payable & other liabilities	24.097	33.705	32.239	27.520	23.275
Net Cashflows Provided by Investing	15.437	22.705	19.286	12.923	7.280
Financing Activities					
Common stock	10.835	10.835	10.835	1.084	0.000
Notes payable	(44.671)	5.658	5.381	4.525	3.772
Other borrowings	(2.816)	2.546	2.421	2.036	1.697
Subordinated notes	(2.996)	7.723	7.345	6.176	5.149
Dividends Paid	(61.647)	(77.371)	(93.219)	(108.789)	(124.319)
Common stock repurchases	(1.098)	(0.527)	(0.527)	(0.527)	(0.527)
Accumulated other comprehensive income	31.443	0.000	0.000	0.000	0.000
Net Cashflows Provided by Financing	(70.950)	(51.134)	(67.763)	(95.496)	(114.227)
Net Increase (Decrease) In Cash	77.624	103.068	91.571	79.763	77.116
Cash Beginning of Year	392.142	469.766	572.834	664.405	744.167
Cash End of Year	469.766	572.834	664.405	744.167	821.283

Wintrust Financial Corporation

Common Size Balance Sheet (Cash % of Assets)

Fiscal Years Ending Dec. 31	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Assets								
Cash & due from banks	1.04%	0.99%	1.26%	1.43%	1.66%	1.85%	1.99%	2.13%
Federal funds sold & securities purchased under resale agreements	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest bearing deposits with banks	3.82%	3.81%	3.52%	3.39%	3.26%	3.15%	3.06%	3.00%
Available-for-sale securities, at fair value	6.72%	6.46%	6.80%	6.61%	6.40%	6.22%	6.10%	6.02%
Held-to-maturity securities, at amortized cost	2.48%	2.96%	3.42%	3.32%	3.21%	3.12%	3.06%	3.02%
Trading account securities	0.01%	0.00%	0.01%	0.01%	0.01%	0.00%	0.00%	0.00%
Equity securities with readily determinable fair value	0.00%	0.00%	0.11%	0.11%	0.12%	0.12%	0.12%	0.12%
Federal Home Loan Bank & Federal Reserve Bank stock	0.52%	0.32%	0.29%	0.28%	0.27%	0.26%	0.25%	0.24%
Brokerage customer receivables	0.10%	0.09%	0.04%	0.04%	0.04%	0.04%	0.04%	0.03%
Mortgage loans held-for-sale	1.63%	1.12%	0.85%	0.85%	0.85%	0.85%	0.86%	0.87%
Commercial Loans	23.40%	24.31%	25.06%	26.90%	25.85%	26.23%	26.57%	26.88%
Commercial Real Estate Loans	24.14%	23.57%	22.19%	23.35%	22.00%	21.88%	21.72%	21.54%
Home Equity Loans	2.83%	2.38%	1.77%	1.86%	1.75%	1.74%	1.73%	1.72%
Residential Real Estate Loans	2.75%	2.98%	3.21%	3.44%	3.31%	3.36%	3.40%	3.44%
Premium Finance Receivables - Commercial Loans	9.66%	9.44%	9.09%	9.61%	9.09%	9.07%	9.03%	8.97%
Premium Finance Receivables - Life Insurance Loans	13.52%	14.45%	14.54%	15.46%	14.72%	14.79%	14.84%	14.87%
Indirect Consumer Loans	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Consumer & Other Loans	0.48%	0.39%	0.39%	0.41%	0.39%	0.39%	0.39%	0.39%
Covered Loans	0.23%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Loans	**76.76%**	**77.52%**	**76.24%**	**76.69%**	**77.11%**	**77.46%**	**77.69%**	**77.81%**
Less: Allowance for loan losses	0.48%	0.49%	0.49%	0.49%	0.49%	0.49%	0.49%	0.49%
Net loans	**76.50%**	**77.03%**	**75.75%**	**76.21%**	**76.62%**	**76.97%**	**77.19%**	**77.32%**
Premises & equipment, net	2.33%	2.23%	2.15%	2.09%	2.03%	1.98%	1.94%	1.92%
Lease investments, net	0.50%	0.76%	0.75%	0.73%	0.71%	0.69%	0.68%	0.67%
Accrued interest receivable & other assets	2.31%	2.03%	2.23%	2.40%	2.41%	2.42%	2.43%	2.44%
Trade date securities receivable	0.00%	0.32%	0.84%	0.66%	0.67%	0.67%	0.67%	0.67%
Goodwill	1.94%	1.80%	1.83%	1.75%	1.67%	1.59%	1.53%	1.49%
Other intangible assets	0.09%	0.06%	0.16%	0.12%	0.09%	0.07%	0.05%	0.04%
Total assets	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Liabilities and Shareholders' Equity	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Deposits	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Non-interest bearing deposits	23.09%	24.33%	21.03%	20.82%	20.75%	20.68%	20.60%	20.52%
NOW Accounts	10.22%	8.29%	9.27%	9.51%	9.47%	9.44%	9.40%	9.37%
Wealth Management Deposits	8.61%	8.32%	9.59%	9.07%	9.04%	9.01%	8.98%	8.94%
Money Market Deposits	17.30%	16.17%	18.26%	17.70%	17.64%	17.57%	17.51%	17.45%
Savings Deposits	8.49%	10.14%	8.53%	9.32%	9.29%	9.26%	9.22%	9.19%
Time Certificate of Deposit	16.65%	15.79%	16.84%	16.87%	16.81%	16.75%	16.69%	16.63%
Total Interest bearing deposits	61.29%	58.71%	62.49%	62.47%	62.25%	62.03%	61.80%	61.57%
Total deposits	**84.38%**	**83.05%**	**83.52%**	**83.30%**	**83.00%**	**82.70%**	**82.40%**	**82.10%**
Federal Home Loan Bank advances	0.60%	2.00%	1.36%	1.30%	1.24%	1.18%	1.14%	1.11%
Notes payable	0.20%	0.15%	0.46%	0.30%	0.31%	0.31%	0.31%	0.31%
Short term borrowings	0.24%	0.06%	0.16%	0.11%	0.11%	0.12%	0.12%	0.12%
Other borrowings	0.07%	0.18%	0.15%	0.14%	0.14%	0.14%	0.14%	0.14%
Secured borrowings	0.51%	0.57%	0.48%	0.50%	0.50%	0.50%	0.50%	0.50%
Subordinated notes	0.54%	0.50%	0.45%	0.42%	0.42%	0.42%	0.42%	0.42%
Junior subordinated debentures	0.99%	0.91%	0.81%	0.77%	0.74%	0.70%	0.68%	0.66%
Accrued interest payable & other liabilities	1.97%	1.92%	2.14%	2.12%	2.11%	2.11%	2.11%	2.10%
Total liabilities	**89.50%**	**89.34%**	**89.54%**	**88.96%**	**88.56%**	**88.18%**	**87.82%**	**87.45%**
Shareholders Equity								
TARP - preferred stock series A, B & Preffered Stock C	0.49%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Series D preferred stock	0.49%	0.45%	0.40%	0.38%	0.36%	0.35%	0.33%	0.32%
Common stock	5.43%	5.57%	5.17%	4.96%	4.76%	4.58%	4.41%	4.28%
Treasury stock, at cost	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%
Retained earnings (accumulated deficit)	4.27%	4.71%	5.15%	5.85%	6.47%	7.04%	7.58%	8.08%
Accumulated other comprehensive income (loss)	-0.25%	-0.15%	-0.25%	-0.14%	-0.13%	-0.13%	-0.12%	-0.12%
Total shareholders' equity	**10.50%**	**10.66%**	**10.46%**	**11.04%**	**11.44%**	**11.82%**	**12.18%**	**12.55%**
Total Liabilites and Shareholders Equity	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Wintrust Financial Corporation

Common Size Income Statement (Cash % of Assets)

Fiscal Years Ending Dec. 31	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Interest Income								
Interest income & fees on loans	2.83%	3.07%	3.34%	3.34%	3.27%	3.19%	3.12%	3.06%
Mortgage loans held-for-sale	0.06%	0.04%	0.05%	0.06%	0.05%	0.05%	0.05%	0.05%
Interest bearing deposits with banks	0.02%	0.03%	0.05%	0.04%	0.04%	0.04%	0.04%	0.04%
Federal funds sold & securities purchased under resale agreements	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Investment securities	0.24%	0.23%	0.28%	0.27%	0.26%	0.26%	0.25%	0.25%
Trading account securities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Federal Home Loan Bank & Federal Reserve Bank stock	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Brokerage customer receivales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total interest income	**3.17%**	**3.39%**	**3.75%**	**3.72%**	**3.65%**	**3.56%**	**3.48%**	3.41%
Interest Expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense on NOW & interest bearing demand deposits	0.02%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%
Interest expense on wealth management deposits	0.03%	0.05%	0.09%	0.08%	0.08%	0.08%	0.07%	0.07%
Interest expense on money market accounts deposits	0.04%	0.05%	0.14%	0.09%	0.10%	0.10%	0.09%	0.09%
Interest expense on savings accounts deposits	0.01%	0.03%	0.04%	0.04%	0.04%	0.03%	0.03%	0.03%
Interest expense on time deposits	0.13%	0.16%	0.24%	0.25%	0.24%	0.23%	0.23%	0.22%
Interest expense on deposits	0.23%	0.30%	0.53%	0.49%	0.48%	0.46%	0.45%	0.44%
Interest expense on Federal Home Loan Bank advances	0.04%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Interest expense on other borrowings	0.02%	0.02%	0.03%	0.03%	0.03%	0.03%	0.03%	0.02%
Interest expense on secured borrowings - owed to securitization investors	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest expense on subordinated notes	0.03%	0.03%	0.02%	0.03%	0.03%	0.03%	0.02%	0.03%
Interest expense on junior subordinated debentures	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Total interest expense	**0.35%**	**0.41%**	**0.66%**	**0.64%**	**0.61%**	**0.59%**	**0.58%**	**0.57%**
Net interest income	**0.028**	**0.030**	**0.031**	**0.031**	**0.030**	**0.030**	**0.029**	**0.028**
Provision for credit losses	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
Net interest income after provision for credit losses	**2.68%**	**2.87%**	**2.98%**	**2.95%**	**2.91%**	**2.85%**	**2.79%**	**2.73%**
Non-Interest Income	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Wealth management	0.30%	0.29%	0.29%	0.28%	0.29%	0.28%	0.28%	0.29%
Mortgage banking	0.50%	0.41%	0.44%	0.43%	0.42%	0.43%	0.42%	0.42%
Service charges on deposit accounts	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
Gains (losses) on investment securities, net	0.03%	0.00%	-0.01%	0.01%	0.00%	0.00%	0.00%	0.00%
Fees from covered call options	0.04%	0.02%	0.01%	0.02%	0.02%	0.02%	0.02%	0.02%
Gain on bargain purchase	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Trading gains (losses), net	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating lease income, net	0.06%	0.11%	0.12%	0.10%	0.11%	0.11%	0.10%	0.11%
Other noninterest income	0.21%	0.20%	0.17%	0.19%	0.18%	0.18%	0.18%	0.18%
Total non-interest income	**1.27%**	**1.14%**	**1.14%**	**1.14%**	**1.14%**	**1.13%**	**1.13%**	**1.13%**
Non-Interest Expense	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Salaries & employee benefits	1.58%	1.54%	1.54%	1.52%	1.48%	1.45%	1.44%	1.43%
Equipment	0.14%	0.14%	0.14%	0.14%	0.13%	0.13%	0.13%	0.13%
Equipment on operating lease	0.05%	0.09%	0.09%	0.08%	0.08%	0.08%	0.08%	0.08%
Occupancy, net	0.20%	0.19%	0.19%	0.19%	0.18%	0.18%	0.18%	0.17%
Data processing	0.11%	0.11%	0.11%	0.11%	0.11%	0.11%	0.10%	0.10%
Advertising & marketing	0.10%	0.11%	0.13%	0.11%	0.11%	0.11%	0.11%	0.11%
Professional fees	0.08%	0.10%	0.10%	0.09%	0.10%	0.09%	0.09%	0.09%
Amortization of other intangible assets	0.02%	0.02%	0.01%	0.02%	0.01%	0.01%	0.01%	0.01%
FDIC insurance	0.06%	0.06%	0.06%	0.06%	0.05%	0.05%	0.05%	0.05%
OREO expenses, net	0.02%	0.01%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Other	0.29%	0.26%	0.25%	0.26%	0.25%	0.25%	0.25%	0.24%
Total non-interest expense	**2.66%**	**2.62%**	**2.64%**	**2.59%**	**2.53%**	**2.48%**	**2.46%**	**2.44%**
Income before taxes	0.013	0.014	0.015	0.015	0.015	0.015	0.015	0.014
Income tax expense (benefit)	0.005	0.005	0.004	0.004	0.004	0.004	0.004	0.004
Net income (loss)	**0.81%**	**0.92%**	**1.10%**	**1.12%**	**1.13%**	**1.12%**	**1.09%**	**1.05%**
Preferred stock dividends	0.001	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Net income applicable to common shares	**0.75%**	**0.89%**	**1.07%**	**1.09%**	**1.11%**	**1.09%**	**1.06%**	**1.03%**

Wintrust Financial Corporation

Value Driver Estimation

Fiscal Years Ending Dec. 31	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Net Income	206.875	257.682	343.166	366.624	388.408	401.414	405.864	405.753
Beg Total Stockholders Equity	2352.274	2695.617	2976.939	3267.570	3613.727	3935.073	4253.576	4551.208
ROE (Net Income/Beg TSE)	8.79%	9.56%	11.53%	11.22%	10.75%	10.20%	9.54%	8.92%
Simple FCFE (NI-ΔTA+ΔTL)	(136.468)	(23.640)	52.535	20.467	67.062	82.911	108.233	124.846
Equity Economic Profit {Beg TSE*(ROE-R_e)}	23.374	47.397	110.935	111.721	106.502	94.439	74.043	50.714
Cost of Equity	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%
Ending TS Equity	2695.617	2976.939	3267.570	3613.727	3935.073	4253.576	4551.208	4832.115
Beg Total Assets	22917.166	25668.553	27915.970	31244.849	32736.789	34407.541	35998.596	37358.370
Ending Total Assets	25668.553	27915.970	31244.849	32736.789	34407.541	35998.596	37358.370	38518.057
Change In Total Assets	2751.387	2247.417	3328.879	1491.940	1670.752	1591.055	1359.774	1159.687
Beg. Total Liabilities	20564.892	22972.936	24939.031	27977.279	29123.062	30472.468	31745.020	32807.162
Ending Total Liabilities	22972.936	24939.031	27977.279	29123.062	30472.468	31745.020	32807.162	33685.942
Change in Total Liabilities	2408.044	1966.095	3038.248	1145.783	1349.406	1272.552	1062.142	878.780

Wintrust Financial Corporation

Discounted Cash Flow (DCF) and Economic Profit (EP) Valuation Models

Key Inputs:					
CV Growth	3.25%				
CV ROE	8.40%				
CV Net Income	40575.29%				
Cost of Equity	7.80%				
Fiscal Years Ending Dec. 31	2019E	2020E	2021E	2022E	2023CV
Equity DCF Model					
Free Cash Flow to Equity	20.47	67.06	82.91	108.23	5464.53
Periods Discounted	1	2	3	4	4
Discounted Free Cash Flow	18.99	57.71	66.18	80.14	4046.33
Value of Equity	4269.35				
Less: PV of ESOP	20.07				
PV of Equity	**4249.28**				
Shares Outstanding	**62.16**				
Intrinsic Value (As of 12/31/18)	**$ 68.36**				
Intrinsic Value (As of 11/15/19)	**$ 72.13**				
Economic Profit Model					
Economic Profit	111.72	106.50	94.44	74.04	50.71
Economic Profit CV					913.32
Periods Discounted	1	2	3	4	4
Discounted EP	103.64	91.65	75.38	54.83	676.29
Beg Total Stock Holders Equity	3267.57				
Value of Equity	**4269.35**				
Less: PV of ESOP	**20.07**				
PV of Equity	**4249.28**				
Shares Outstanding	**62.16**				
Intrinsic Value (As of 12/31/18)	**$ 68.36**				
Intrinsic Value (As of 11/15/19)	**$ 72.13**				

Wintrust Financial Corporation

Dividend Discount Model (DDM) or Fundamental P/E Valuation Model

Fiscal Years Ending Dec. 31	2019E	2020E	2021E	2022E	2023CV
EPS	$ 5.81	$ 6.14	$ 6.33	$ 6.40	$ 6.40
Key Assumptions					
CV growth	3.25%				
CV ROE	8.40%				
Cost of Equity	7.80%				
Future Cash Flows					
P/E Multiple (CV Year)					13.47
EPS (CV Year)					6.40
Future Stock Price					86.13
Dividends Per Share	1	1.25	1.5	1.75	86.13
Discount Periods	1	2	3	4	4
Discounted Cash Flows	0.93	1.08	1.20	1.30	63.78
Intrinsic Value (As of 12/31/18)	**$ 68.28**				
Intrinsic Value (As of 11/15/19)	**$ 72.04**				

Wintrust Financial Corporation

Relative Valuation Models

Ticker	Company	Price	EPS 2019E	EPS 2020E	P/E 19	P/E 20	BV Equity	BV Tang. Equity	P/B	P/Tang. Book
BBT	BB&T	$53.78	$3.95	$3.98	13.62	13.51	43.50	25.97	1.24	2.07
FNB	FNB Corp	$12.33	$1.18	$1.16	10.45	10.63	14.74	7.51	0.84	1.64
FMBI	First Midwest Bancorp	$20.85	$1.85	$1.95	11.27	10.69	21.55	13.65	0.97	1.53
CBSH	Commerce Bancshares	$65.65	$3.72	$3.53	17.65	18.60	27.58	26.17	2.38	2.51
ASB	Associated Banc-Corp	$20.50	$1.92	$1.82	10.68	11.26	23.31	15.28	0.88	1.34
				Average	**12.73**	**12.94**	**26.14**	**17.72**	**1.26**	**1.82**
WTFC	Wintrust Financial Corporation	$66.01	$5.81	$6.14	11.4	10.7	56.59	46.65	1.17	1.41

Implied Relative Value:

P/E (EPS19)	**$ 74.02**
P/E (EPS20)	**$ 79.48**
P/B	**$ 71.31**

Wintrust Financial Corporation
Key Management Ratios

Fiscal Years Ending Dec. 31	*Definition*	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Liquidity Ratios									
Loan to Assets Ratio	Total Loans/Total Assets	0.768	0.775	0.762	0.767	0.771	0.775	0.777	0.778
Loan to Deposits Ratio	Total Loans/Total Deposits	0.910	0.933	0.913	0.921	0.929	0.937	0.943	0.948
Activity or Asset-Management Ratios									
Deposit Growth	(Total $Deposits_T$-Total $Deposits_{T-1}$)/Total $Deposits_{T-1}$	0.162	0.070	0.126	0.045	0.047	0.043	0.034	0.027
Total Asset Growth	(Total $Assets_T$-Total $Assets_{T-1}$)/Total $Assets_{T-1}$	0.120	0.088	0.119	0.048	0.051	0.046	0.038	0.031
Capital Ratio	TSE/TA	0.105	0.107	0.105	0.110	0.114	0.118	0.122	0.125
Financial Leverage Ratios									
Debt to Equity Ratio	ST Debt + LT Debt /TE	8.52	8.38	8.56	8.06	7.74	7.46	7.21	6.97
Loan to Deposit Ratio	Net Loans/Total Deposits	0.91	0.93	0.91	0.91	0.92	0.93	0.94	0.94
Debt Ratio	Total Liabilities/Total Assets	0.89	0.89	0.90	0.89	0.89	0.88	0.88	0.87
Profitability Ratios									
ROA	NI/TA	0.81%	0.92%	1.10%	1.12%	1.13%	1.12%	1.09%	1.05%
ROE	NI/TE	8.79%	9.56%	11.53%	11.22%	10.75%	10.20%	9.54%	8.92%
NIM	Interest Income-Interest Expense /Net Loans & Leases	3.68%	3.87%	4.08%	4.05%	3.96%	3.85%	3.76%	3.68%
Payout Policy Ratios									
Payout Ratio	Dividends + Repurchases/NI	18.94%	15.89%	15.05%	17.11%	20.06%	23.35%	26.93%	30.77%
Dividend Payout Ratio	Dividends/NI	18.64%	15.73%	14.86%	16.81%	19.92%	23.22%	26.80%	30.64%

Effects of ESOP Exercise and Share Repurchases on Common Stock Balance Sheet Account and Number of Shares Outstanding

Number of Options Outstanding (shares):	795
Average Time to Maturity (years):	3.10
Expected Annual Number of Options Exercised:	256
Current Average Strike Price:	$ 42.25
Cost of Equity:	7.80%
Current Stock Price:	$66.01

	2019E	2020E	2021E	2022E	2023E
Increase in Shares Outstanding:	256	256	256	26	
Average Strike Price:	$ 42.25	$ 42.25	$ 42.25	$ 42.25	
Increase in Common Stock Account:	**10,835**	**10,835**	**10,835**	**1,084**	
Change in Treasury Stock	1.10	0.53	0.53	0.53	0.53
Expected Price of Repurchased Shares:	$ 66.01	$ 71.16	$ 76.71	$ 82.69	$ 89.15
Number of Shares Repurchased:	**0.017**	**0.007**	**0.007**	**0.006**	**0.006**
Shares Outstanding (beginning of the year)	61.408	61.647	61.896	62.146	62.165
Plus: Shares Issued Through ESOP	0.256	0.256	0.256	0.026	0.000
Less: Shares Repurchased in Treasury	0.017	0.007	0.007	0.006	0.006
Shares Outstanding (end of the year)	**61.647**	**61.896**	**62.146**	**62.165**	**62.159**

VALUATION OF OPTIONS GRANTED IN ESOP

Ticker Symbol	WTFC
Current Stock Price	$66.01
Risk Free Rate	1.84%
Current Dividend Yield	1.53%
Annualized St. Dev. of Stock Returns	27.43%

Range of Outstanding Options	Number of Shares	Average Exercise Price	Average Remaining Life (yrs)	B-S Option Price	Value of Options Granted
Range 1	795	42.25	3.10	$ 25.25	$ 20,071
Total	795	$ 42.25	3.10	$ 27.94	**$ 20,071**
					$ 20.071