WINTRUST FINANCIAL CORP
Form 10-Q
May 08, 2014
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2014

OR

¨ 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)

(847) 939-9000
(Registrant’s telephone number, including area code)

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 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. Yes þ 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). 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 definitions 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 ¨	(Do not check if a smaller reporting company)	Smaller reporting company ¨

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Stock — no par value, 46,541,444 shares, as of April 30, 2014

Table of Contents

TABLE OF CONTENTS

		Page
	PART I. — FINANCIAL INFORMATION	
ITEM 1.	Financial Statements	1
ITEM 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	50
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	93
ITEM 4.	Controls and Procedures	94
	PART II. — OTHER INFORMATION	
ITEM 1.	Legal Proceedings	95
ITEM 1A.	Risk Factors	95
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	95
ITEM 3.	Defaults Upon Senior Securities	NA
ITEM 4.	Mine Safety Disclosures	NA
ITEM 5.	Other Information	NA
ITEM 6.	Exhibits	96
	Signatures	97

Table of Contents

PART I
ITEM 1. FINANCIAL STATEMENTS
WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)	(Unaudited) March 31, 2014	December 31, 2013	(Unaudited) March 31, 2013
Assets			
Cash and due from banks	$330,262	$253,408	$199,575
Federal funds sold and securities purchased under resale agreements	12,476	10,456	13,626
Interest-bearing deposits with other banks	540,964	495,574	685,302
Available-for-sale securities, at fair value	1,949,697	2,176,290	1,870,831
Trading account securities	1,068	497	1,036
Federal Home Loan Bank and Federal Reserve Bank stock	78,524	79,261	76,601
Brokerage customer receivables	26,884	30,953	25,614
Mortgage loans held-for-sale	215,231	334,327	380,922
Loans, net of unearned income, excluding covered loans	13,133,160	12,896,602	11,900,312
Covered loans	312,478	346,431	518,661
Total loans	13,445,638	13,243,033	12,418,973
Less: Allowance for loan losses	92,275	96,922	110,348
Less: Allowance for covered loan losses	3,447	10,092	12,272
Net loans	13,349,916	13,136,019	12,296,353
Premises and equipment, net	531,763	531,947	504,803
FDIC indemnification asset	60,298	85,672	170,696
Accrued interest receivable and other assets	549,705	569,619	485,746
Trade date securities receivable	182,600	—	—
Goodwill	373,725	374,547	343,632
Other intangible assets	18,050	19,213	19,510
Total assets	$18,221,163	$18,097,783	$17,074,247
Liabilities and Shareholders’ Equity			
Deposits:			
Non-interest bearing	$2,773,922	$2,721,771	$2,243,440
Interest bearing	12,355,123	11,947,018	11,719,317
Total deposits	15,129,045	14,668,789	13,962,757
Notes payable	182	364	31,911
Federal Home Loan Bank advances	387,672	417,762	414,032
Other borrowings	230,904	254,740	256,244
Subordinated notes	—	—	15,000
Junior subordinated debentures	249,493	249,493	249,493
Trade date securities payable	—	303,088	1,250
Accrued interest payable and other liabilities	283,724	302,958	317,872
Total liabilities	16,281,020	16,197,194	15,248,559
Shareholders’ Equity:			
Preferred stock, no par value; 20,000,000 shares authorized:			
Series A - $1,000 liquidation value; No shares issued and outstanding at March 31, 2014 and December 31, 2013, and 50,000 shares issued and outstanding at March 31, 2013	—	—	49,941
Series C - $1,000 liquidation value; 126,477 shares issued and outstanding at March 31, 2014 and December 31, 2013, and 126,500	126,477	126,477	126,500

shares issued and outstanding at March, 31, 2013			
Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized at March 31, 2014, December 31, 2013, and March 31, 2013; 46,332,213 shares issued at March 31, 2014, 46,181,588 shares issued at December 31, 2013, and 37,272,279 shares issued at March 31, 2013	46,332	46,181	37,272
Surplus	1,122,233	1,117,032	1,040,098
Treasury stock, at cost, 73,253 shares at March 31, 2014, 65,005 shares at December 31, 2013, and 258,572 shares at March 31, 2013	(3,380)	(3,000)	(8,187)
Retained earnings	705,234	676,935	581,131
Accumulated other comprehensive loss	(56,753)	(63,036)	(1,067)
Total shareholders’ equity	1,940,143	1,900,589	1,825,688
Total liabilities and shareholders’ equity	$18,221,163	$18,097,783	$17,074,247

See accompanying notes to unaudited consolidated financial statements.

1

Table of Contents

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended March 31,	
(In thousands, except per share data)	2014	2013
Interest income		
Interest and fees on loans	$147,030	$142,114
Interest bearing deposits with banks	249	569
Federal funds sold and securities purchased under resale agreements	4	15
Securities	13,114	8,752
Trading account securities	9	5
Federal Home Loan Bank and Federal Reserve Bank stock	711	684
Brokerage customer receivables	209	174
Total interest income	161,326	152,313
Interest expense		
Interest on deposits	11,923	14,504
Interest on Federal Home Loan Bank advances	2,643	2,764
Interest on notes payable and other borrowings	750	1,154
Interest on subordinated notes	—	59
Interest on junior subordinated debentures	2,004	3,119
Total interest expense	17,320	21,600
Net interest income	144,006	130,713
Provision for credit losses	1,880	15,687
Net interest income after provision for credit losses	142,126	115,026
Non-interest income		
Wealth management	16,813	14,828
Mortgage banking	16,428	30,145
Service charges on deposit accounts	5,346	4,793
(Losses) gains on available-for-sale securities, net	(33)	251
Fees from covered call options	1,542	1,639
Trading losses, net	(652)	(435)
Other	6,085	6,158
Total non-interest income	45,529	57,379
Non-interest expense		
Salaries and employee benefits	79,934	77,513
Equipment	7,403	6,184
Occupancy, net	10,993	8,853
Data processing	4,715	4,599
Advertising and marketing	2,816	2,040
Professional fees	3,454	3,221
Amortization of other intangible assets	1,163	1,120
FDIC insurance	2,951	3,444
OREO expense (income), net	3,976	(1,620)
Other	13,910	14,765
Total non-interest expense	131,315	120,119
Income before taxes	56,340	52,286
Income tax expense	21,840	20,234
Net income	$34,500	$32,052
Preferred stock dividends and discount accretion	1,581	2,616

Net income applicable to common shares	$32,919	$29,436
Net income per common share—Basic	$0.71	$0.80
Net income per common share—Diluted	$0.68	$0.65
Cash dividends declared per common share	$0.10	$0.09
Weighted average common shares outstanding	46,195	36,976
Dilutive potential common shares	4,509	12,463
Average common shares and dilutive common shares	50,704	49,439

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31,	
(In thousands)	2014	2013
Net income	$34,500	$32,052
Unrealized gains (losses) on securities		
Before tax	22,526	(7,455)
Tax effect	(8,804)	2,806
Net of tax	13,722	(4,649)
Less: Reclassification of net (losses) gains included in net income		
Before tax	(33)	251
Tax effect	13	(100)
Net of tax	(20)	151
Net unrealized gains (losses) on securities	13,742	(4,800)
Unrealized (losses) gains on derivative instruments		
Before tax	(98)	1,474
Tax effect	39	(586)
Net unrealized (losses) gains on derivative instruments	(59)	888
Foreign currency translation adjustment		
Before tax	(9,959)	(6,304)
Tax effect	2,559	1,438
Net foreign currency translation adjustment	(7,400)	(4,866)
Total other comprehensive income (loss)	6,283	(8,778)
Comprehensive income	$40,783	$23,274

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2012	$176,406	$37,108	$1,036,295	$(7,838)	$555,023	$ 7,711	$1,804,705
Net income	—	—	—	—	32,052	—	32,052
Other comprehensive loss, net of tax	—	—	—	—	—	(8,778)	(8,778)
Cash dividends declared on common stock	—	—	—	—	(3,328)	—	(3,328)
Dividends on preferred stock	—	—	—	—	(2,581)	—	(2,581)
Accretion on preferred stock	35	—	—	—	(35)	—	—
Stock-based compensation	—	—	2,413	—	—	—	2,413
Common stock issued for:							
Exercise of stock options and warrants	—	9	320	(214)	—	—	115
Restricted stock awards	—	111	90	(135)	—	—	66
Employee stock purchase plan	—	13	628	—	—	—	641
Director compensation plan	—	31	352	—	—	—	383
Balance at March 31, 2013	$176,441	$37,272	$1,040,098	$(8,187)	$581,131	$ (1,067)	$1,825,688
Balance at December 31, 2013	$126,477	$46,181	$1,117,032	$(3,000)	$676,935	$ (63,036)	$1,900,589
Net income	—	—	—	—	34,500	—	34,500
Other comprehensive income, net of tax	—	—	—	—	—	6,283	6,283
Cash dividends declared on common stock	—	—	—	—	(4,620)	—	(4,620)
Dividends on preferred stock	—	—	—	—	(1,581)	—	(1,581)
Stock-based compensation	—	—	1,681	—	—	—	1,681
Common stock issued for:							
Exercise of stock options and warrants	—	77	2,464	(271)	—	—	2,270
Restricted stock awards	—	41	111	(109)	—	—	43
Employee stock purchase plan	—	13	587	—	—	—	600
Director compensation plan	—	20	358	—	—	—	378
Balance at March 31, 2014	$126,477	$46,332	$1,122,233	$(3,380)	$705,234	$ (56,753)	$1,940,143

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended March 31,	
(In thousands)	2014	2013
Operating Activities:		
Net income	$34,500	$32,052
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	1,880	15,687
Depreciation and amortization	7,753	6,782
Stock-based compensation expense	1,681	2,413
Tax benefit from stock-based compensation arrangements	3	200
Excess tax benefits from stock-based compensation arrangements	(156)	(222)
Net amortization of premium on securities	233	3,424
Mortgage servicing rights fair value change, net	253	(273)
Originations and purchases of mortgage loans held-for-sale	(527,272)	(974,432)
Proceeds from sales of mortgage loans held-for-sale	658,588	1,033,129
Increase in trading securities, net	(571)	(453)
Net decrease (increase) in brokerage customer receivables	4,069	(750)
Gains on mortgage loans sold	(12,220)	(27,419)
Losses (gains) on available-for-sale securities, net	33	(251)
Loss on sales of premises and equipment, net	795	1
Net loss (gains) on sales and fair value adjustments of other real estate owned	2,460	(2,658)
Decrease in accrued interest receivable and other assets, net	27,584	32,068
Decrease in accrued interest payable and other liabilities, net	(37,348)	(19,617)
Net Cash Provided by Operating Activities	162,265	99,681
Investing Activities:		
Proceeds from maturities of available-for-sale securities	98,007	67,941
Proceeds from sales of available-for-sale securities	14,800	41,056
Purchases of available-for-sale securities	(349,979)	(192,379)
Divestiture of operations	—	(149,100)
Proceeds from sales of other real estate owned	20,362	30,641
Proceeds received from the FDIC related to reimbursements on covered assets	9,669	13,932
Net (increase) decrease in interest-bearing deposits with banks	(45,390)	350,441
Net increase in loans	(227,040)	(52,143)
Purchases of premises and equipment, net	(7,596)	(6,508)
Net Cash (Used for) Provided by Investing Activities	(487,167)	103,881
Financing Activities:		
Increase (decrease) in deposit accounts	460,551	(314,618)
(Decrease) increase in other borrowings, net	(24,018)	11,576
Decrease in Federal Home Loan Bank advances, net	(30,000)	—
Excess tax benefits from stock-based compensation arrangements	156	222
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	3,668	1,354
Common stock repurchases	(380)	(349)
Dividends paid	(6,201)	(3,574)
Net Cash Provided by (Used for) Financing Activities	403,776	(305,389)
Net Increase (Decrease) in Cash and Cash Equivalents	78,874	(101,827)

Cash and Cash Equivalents at Beginning of Period	263,864	315,028
Cash and Cash Equivalents at End of Period	$342,738	$213,201

See accompanying notes to unaudited consolidated financial statements.

Table of Contents

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(1) Basis of Presentation
The consolidated financial statements of Wintrust Financial Corporation and Subsidiaries (“Wintrust” or “the Company”) presented herein are unaudited, but in the opinion of management reflect all necessary adjustments of a normal or recurring nature for a fair presentation of results as of the dates and for the periods covered by the consolidated financial statements.
The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles ("GAAP"). The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 (“2013 Form 10-K”). Operating results reported for the three-month periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.
The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management’s expectations. 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 of producing results that could be materially different than originally reported. 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 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 the most subject to revision as new information becomes available. Descriptions of our significant accounting policies are included in Note 1 - “Summary of Significant Accounting Policies” of the Company’s 2013 Form 10-K.
(2) Recent Accounting Developments

Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the FASB issued ASU No. 2014-01, “Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects,” to provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that invest in affordable housing projects that qualify for the low-income housing tax credit. This ASU permits new accounting treatment, if certain conditions are met, which allows the Company to amortize the initial cost of an investment in proportion to the amount of tax credits and other tax benefits received with recognition of the investment performance in income tax expense. This guidance is effective for fiscal years beginning after December 15, 2014 and is to be applied retrospectively. The Company does not expect this guidance to have a material impact on the Company’s consolidated financial statements.

Repossession of Residential Real Estate Collateral

In January 2014, the FASB issued ASU No. 2014-04, “Receivables - Troubled Debt Restructurings by Creditors (Topic 310-40): Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure,” to address diversity in practice and clarify guidance regarding the accounting for an in-substance repossession or foreclosure of residential real estate collateral. This ASU clarifies that an in-substance repossession or foreclosure occurs upon either the creditor obtaining legal title to the residential real estate property upon completion of a

foreclosure or the borrower conveying all interest in the residential real estate property to the creditor. Additionally, this ASU requires disclosure of both the amount of foreclosed residential real estate property held by the Company and the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure. This guidance is effective for fiscal years beginning after December 15, 2014. Other than requiring additional disclosures, the Company does not expect adoption of this guidance to have a material impact on the Company's consolidated financial statements.

(3) Business Combinations

Non-FDIC Assisted Bank Acquisitions

On October 18, 2013, the Company acquired Diamond Bancorp, Inc. ("Diamond"). Diamond was the parent company of Diamond Bank, FSB ("Diamond Bank"), which operated four banking locations in Chicago, Schaumburg, Elmhurst, and Northbrook, Illinois. As part of the transaction, Diamond Bank was merged into North Shore Community Bank & Trust Company ("North Shore Bank"). The Company acquired assets with a fair value of approximately $172.5 million, including approximately $91.7 million of loans, and assumed liabilities with a fair value of approximately $169.1 million, including approximately $140.2 million of deposits. Additionally, the Company recorded goodwill of $8.4 million on the acquisition.

On May 1, 2013, the Company acquired First Lansing Bancorp, Inc. ("FLB"). FLB was the parent company of First National Bank of Illinois ("FNBI"), which operated seven banking locations in the south and southwest suburbs of Chicago, as well as one location in northwest Indiana. As part of this transaction, FNBI was merged into Old Plank Trail Community Bank, N.A. ("Old Plank Trail Bank"). The Company acquired assets with a fair value of approximately $373.4 million, including approximately $123.0 million of loans, and assumed liabilities with a fair value of approximately $334.7 million, including approximately $331.4 million of deposits. Additionally, the Company recorded goodwill of $14.0 million on the acquisition.
See Note 17—Subsequent Events for discussion regarding the Company's announcements in April 2014 of the signing of a definitive agreement to acquire certain branch offices and deposits of Talmer Bank & Trust, and a branch of THE National Bank.

FDIC-Assisted Transactions
Since 2010, the Company acquired the banking operations, including the acquisition of certain assets and the assumption of liabilities, of nine financial institutions in FDIC-assisted transactions. Loans comprise the majority of the assets acquired in nearly all of these FDIC-assisted transactions since 2010, most of which are subject to loss sharing agreements with the FDIC whereby the FDIC has agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned (“OREO”), and certain other assets. Additionally, the loss share agreements with the FDIC require the Company to reimburse the FDIC in the event that actual losses on covered assets are lower than the original loss estimates agreed upon with the FDIC with respect of such assets in the loss share agreements. The Company refers to the loans subject to these loss-sharing agreements as “covered loans” and uses the term “covered assets” to refer to covered loans, covered OREO and certain other covered assets. The agreements with the FDIC require that the Company follow certain servicing procedures or risk losing the FDIC reimbursement of covered asset losses.
The loans covered by the loss sharing agreements are classified and presented as covered loans and the estimated reimbursable losses are recorded as an FDIC indemnification asset in the Consolidated Statements of Condition. The Company recorded the acquired assets and liabilities at their estimated fair values at the acquisition date. The fair value for loans reflected expected credit losses at the acquisition date. Therefore, the Company will only recognize a provision for credit losses and charge-offs on the acquired loans for any further credit deterioration subsequent to the acquisition date. See Note 7 — Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion of the allowance on covered loans.
The loss share agreements with the FDIC cover realized losses on loans, foreclosed real estate and certain other assets. These loss share assets are measured separately from the loan portfolios because they are not contractually embedded in the loans and are not transferable with the loans should the Company choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss-share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets are also separately measured from the related loans and foreclosed real estate and recorded as FDIC indemnification assets on the Consolidated Statements of Condition. Subsequent to the acquisition date, reimbursements received from the FDIC

for actual incurred losses will reduce the FDIC indemnification assets. Reductions to expected losses, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, will also reduce the FDIC indemnification assets. Although these assets are contractual receivables from the FDIC, there are no contractual interest rates. Additions to expected losses will require an increase to the allowance for loan losses and a corresponding increase to the FDIC indemnification assets. The corresponding accretion is recorded as a component of non-interest income on the Consolidated Statements of Income.

Table of Contents

The following table summarizes the activity in the Company's FDIC indemnification asset during the periods indicated:

(Dollars in thousands)	Three Months Ended March 31, 2014	March 31, 2013
Balance at beginning of period	$85,672	$208,160
Additions from acquisitions	—	—
Additions from reimbursable expenses	1,282	5,033
Amortization	(1,603)	(2,468)
Changes in expected reimbursements from the FDIC for changes in expected credit losses	(15,384)	(26,097)
Payments received from the FDIC	(9,669)	(13,932)
Balance at end of period	$60,298	$170,696

Divestiture of Previous FDIC-Assisted Acquisition

On February 1, 2013, the Company completed the divestiture of the deposits and current banking operations of Second Federal Savings and Loan Association of Chicago ("Second Federal") to an unaffiliated financial institution. Through this transaction, the Company divested approximately $149 million of related deposits.

Mortgage Banking Acquisitions

On October 1, 2013, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of Surety Financial Services ("Surety") of Sherman Oaks, California. Surety had five offices located in southern California which originated approximately $1.0 billion in the twelve months prior to the acquisition date. The Company recorded goodwill of $9.5 million on the acquisition.

Purchased loans with evidence of credit quality deterioration since origination

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date. Expected future cash flows at the purchase date in excess of the fair value of loans are recorded as interest income over the life of the loans if the timing and amount of the future cash flows is reasonably estimable ("accretable yield"). The difference between contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference and represents probable losses in the portfolio.

In determining the acquisition date fair value of purchased impaired loans, and in subsequent accounting, the Company aggregates these purchased loans into pools of loans by common risk characteristics, such as credit risk rating and loan type. Subsequent to the purchase date, increases in cash flows over those expected at the purchase date are recognized as interest income prospectively. Subsequent decreases to the expected cash flows will generally result in a provision for loan losses.

The Company purchased a portfolio of life insurance premium finance receivables in 2009. These purchased life insurance premium finance receivables are valued on an individual basis with the accretable component being recognized into interest income using the effective yield method over the estimated remaining life of the loans. The non-accretable portion is evaluated each quarter and if the loans' credit related conditions improve, a portion is transferred to the accretable component and accreted over future periods. In the event a specific loan prepays in whole, any remaining accretable and non-accretable discount is recognized in income immediately. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for credit losses. See Note 6—Loans, for more information on loans acquired with evidence of credit quality deterioration since origination.

(4) Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Company considers cash and cash equivalents to include cash on hand, cash items in the process of collection, non-interest bearing amounts due from correspondent banks, federal funds sold and securities purchased under resale agreements with original maturities of three months or

less.

Table of Contents

(5) Available-For-Sale Securities

The following tables are a summary of the available-for-sale securities portfolio as of the dates shown:

	March 31, 2014			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$354,109	$263	$(14,194)	$340,178
U.S. Government agencies	874,845	3,286	(49,856)	828,275
Municipal	175,028	3,439	(3,167)	175,300
Corporate notes:				
Financial issuers	129,413	2,306	(1,735)	129,984
Other	4,986	100	(3)	5,083
Mortgage-backed: [1]				
Mortgage-backed securities	371,825	3,919	(13,188)	362,556
Collateralized mortgage obligations	55,190	356	(799)	54,747
Other equity securities	50,570	3,543	(539)	53,574
Total available-for-sale securities	$2,015,966	$17,212	$(83,481)	$1,949,697

	December 31, 2013			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$354,262	$141	$(18,308)	$336,095
U.S. Government agencies	950,086	1,680	(56,078)	895,688
Municipal	154,463	2,551	(4,298)	152,716
Corporate notes:				
Financial issuers	129,362	1,993	(2,411)	128,944
Other	5,994	105	(5)	6,094
Mortgage-backed: [1]				
Mortgage-backed securities	562,708	3,537	(18,047)	548,198
Collateralized mortgage obligations	57,711	258	(942)	57,027
Other equity securities	50,532	1,493	(497)	51,528
Total available-for-sale securities	$2,265,118	$11,758	$(100,586)	$2,176,290

	March 31, 2013			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$220,215	$190	$(2,760)	$217,645
U.S. Government agencies	975,386	2,960	(4,631)	973,715
Municipal	107,947	2,628	(316)	110,259
Corporate notes:				
Financial issuers	136,761	2,569	(2,280)	137,050
Other	11,628	195	—	11,823
Mortgage-backed: [1]				
Mortgage-backed securities	294,728	7,360	(3,194)	298,894
Collateralized mortgage obligations	68,496	897	(5)	69,388
Other equity securities	52,413	745	(1,101)	52,057

Total available-for-sale securities	$1,867,574	$17,544	$(14,287)	$1,870,831

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

9

Table of Contents

The following table presents the portion of the Company's available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at March 31, 2014:

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury	$—	$—	$185,969	$(14,194)	$185,969	$(14,194)
U.S. Government agencies	463,254	(42,295)	54,128	(7,561)	517,382	(49,856)
Municipal	61,280	(2,683)	9,484	(484)	70,764	(3,167)
Corporate notes:						
Financial issuers	1,327	(10)	57,474	(1,725)	58,801	(1,735)
Other	997	(3)	—	—	997	(3)
Mortgage-backed:						
Mortgage-backed securities	137,042	(1,352)	137,661	(11,836)	274,703	(13,188)
Collateralized mortgage obligations	21,045	(275)	11,944	(524)	32,989	(799)
Other equity securities	8,296	(213)	5,674	(326)	13,970	(539)
Total	$693,241	$(46,831)	$462,334	$(36,650)	$1,155,575	$(83,481)

The Company conducts a regular assessment of its investment securities to determine whether securities are other-than-temporarily impaired considering, among other factors, the nature of the securities, credit ratings or financial condition of the issuer, the extent and duration of the unrealized loss, expected cash flows, market conditions and the Company's ability to hold the securities through the anticipated recovery period.

The Company does not consider securities with unrealized losses at March 31, 2014 to be other-than-temporarily impaired. The Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates of the securities. The unrealized losses within each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. Securities with continuous unrealized losses existing for more than twelve months were primarily treasury notes, mortgage-backed securities, and agency bonds. Unrealized losses recognized on treasury notes, mortgage backed securities and agency bonds are the result of increases in yields for similar types of securities which have a longer duration and maturity.
The following table provides information as to the amount of gross gains and gross losses realized and proceeds received through the sales of available-for-sale investment securities:

	Three months ended March 31,	
(Dollars in thousands)	2014	2013
Realized gains	$55	$313
Realized losses	(88)	(62)
Net realized (losses) gains	$(33)	$251
Other than temporary impairment charges	—	—
(Losses) gains on available-for-sale securities, net	$(33)	$251
Proceeds from sales of available-for-sale securities	$14,800	$41,056

Table of Contents

The amortized cost and fair value of securities as of March 31, 2014, December 31, 2013 and March 31, 2013, by contractual maturity, are shown in the following table. Contractual maturities may differ from actual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Mortgage-backed securities are not included in the maturity categories in the following maturity summary as actual maturities may differ from contractual maturities because the underlying mortgages may be called or prepaid without penalties:

	March 31, 2014		December 31, 2013		March 31, 2013	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$203,749	$203,942	$268,847	$269,168	$247,388	$247,836
Due in one to five years	338,130	338,980	358,108	358,357	337,431	338,633
Due in five to ten years	344,296	330,546	350,372	330,020	357,677	356,871
Due after ten years	652,206	605,352	616,840	561,992	509,441	507,152
Mortgage-backed	427,015	417,303	620,419	605,225	363,224	368,282
Other equity securities	50,570	53,574	50,532	51,528	52,413	52,057
Total available-for-sale securities	$2,015,966	$1,949,697	$2,265,118	$2,176,290	$1,867,574	$1,870,831

Securities having a carrying value of $1.2 billion at March 31, 2014, $1.2 billion at December 31, 2013 and $1.1 billion March 31, 2013, were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At March 31, 2014, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders' equity.

Table of Contents

(6) Loans

The following table shows the Company’s loan portfolio by category as of the dates shown:

(Dollars in thousands)	March 31, 2014		December 31, 2013		March 31, 2013	
Balance:						
Commercial	$3,439,197		$3,253,687		$2,872,695	
Commercial real-estate	4,262,255		4,230,035		3,990,465	
Home equity	707,748		719,137		759,218	
Residential real-estate	426,769		434,992		360,652	
Premium finance receivables—commercial	2,208,361		2,167,565		1,997,160	
Premium finance receivables—life insurance	1,929,334		1,923,698		1,753,512	
Consumer and other	159,496		167,488		166,610	
Total loans, net of unearned income, excluding covered loans	$13,133,160		$12,896,602		$11,900,312	
Covered loans	312,478		346,431		518,661	
Total loans	$13,445,638		$13,243,033		$12,418,973	
Mix:						
Commercial	26	%	25	%	23	%
Commercial real-estate	32		32		32	
Home equity	5		5		6	
Residential real-estate	3		3		3	
Premium finance receivables—commercial	17		16		16	
Premium finance receivables—life insurance	14		15		14	
Consumer and other	1		1		2	
Total loans, net of unearned income, excluding covered loans	98	%	97	%	96	%
Covered loans	2		3		4	
Total loans	100	%	100	%	100	%

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $40.3 million at March 31, 2014, $41.9 million at December 31, 2013 and $40.0 million at March 31, 2013, respectively. Certain life insurance premium finance receivables attributable to the life insurance premium finance loan acquisition in 2009 as well as purchased credit impaired ("PCI") loans acquired with evidence of credit quality deterioration since origination are recorded net of credit discounts. See “Acquired Loan Information at Acquisition” below.

Total loans, excluding PCI loans, include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $(6.2) million at March 31, 2014, $(9.2) million at December 31, 2013 and $10.5 million at March 31, 2013. The net credit balances at March 31, 2014 and December 31, 2013 are primarily the result of purchase accounting adjustments related to the acquisition of FNBI and Diamond during 2013.

The Company’s loan portfolio is generally comprised of loans to consumers and small to medium-sized businesses located within the geographic market areas that the banks serve. The premium finance receivables portfolios are made to customers throughout the United States and Canada. The Company strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries.

It is the policy of the Company to review each prospective credit in order to determine the appropriateness and, when required, the adequacy of security or collateral necessary to obtain when making a loan. The type of collateral, when required, will vary from liquid assets to real estate. The Company seeks to ensure access to collateral, in the event of default, through adherence to state lending laws and the Company’s credit monitoring procedures.

Table of Contents

Acquired Loan Information at Acquisition—PCI Loans

As part of our previous acquisitions, we acquired loans for which there was evidence of credit quality deterioration since origination and we determined that it was probable that the Company would be unable to collect all contractually required principal and interest payments.

The following table presents the unpaid principal balance and carrying value for these acquired loans:

	March 31, 2014		December 31, 2013	
(Dollars in thousands)	Unpaid Principal Balance	Carrying Value	Unpaid Principal Balance	Carrying Value
Bank acquisitions	$407,157	$303,362	$453,944	$338,517
Life insurance premium finance loans acquisition	424,680	413,202	437,155	423,906

See Note 7—Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans for further discussion regarding the allowance for loan losses associated with PCI loans at March 31, 2014.

Accretable Yield Activity

Changes in expected cash flows may vary from period to period as the Company periodically updates its cash flow model assumptions for loans acquired with evidence of credit quality deterioration since origination. The factors that most significantly affect the estimates of gross cash flows expected to be collected, and accordingly the accretable yield, include changes in the benchmark interest rate indices for variable-rate products and changes in prepayment assumptions and loss estimates. The following table provides activity for the accretable yield of loans acquired with evidence of credit quality deterioration since origination:

	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013	
(Dollars in thousands)	Bank Acquisitions	Life Insurance Premium Finance Loans	Bank Acquisitions	Life Insurance Premium Finance Loans
Accretable yield, beginning balance	$107,655	$8,254	$143,224	$13,055
Acquisitions	—	—	(78)	—
Accretable yield amortized to interest income	(7,770)	(1,771)	(9,577)	(2,019)
Accretable yield amortized to indemnification asset (1)	(5,648)	—	(8,706)	—
Reclassification from non-accretable difference (2)	8,580	—	5,412	—
(Decreases) increases in interest cash flows due to payments and changes in interest rates	(5,143)	78	(8,550)	182
Accretable yield, ending balance (3)	$97,674	$6,561	$121,725	$11,218

(1) Represents the portion of the current period accreted yield, resulting from lower expected losses, applied to reduce the loss share indemnification asset.

(2) Reclassification is the result of subsequent increases in expected principal cash flows.

(3) As of March 31, 2014, the Company estimates that the remaining accretable yield balance to be amortized to the indemnification asset for the bank acquisitions is $28.1 million. The remainder of the accretable yield related to bank acquisitions is expected to be amortized to interest income.

Accretion to interest income from loans acquired in bank acquisitions totaled $7.8 million and $9.6 million in the first quarter of 2014 and 2013, respectively. These amounts include accretion from both covered and non-covered loans, and are included together within interest and fees on loans in the Consolidated Statements of Income.

13

Table of Contents

(7) Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans
The tables below show the aging of the Company's loan portfolio at March 31, 2014, December 31, 2013 and March 31, 2013:

As of March 31, 2014 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$11,112	$387	$2,235	$16,150	$1,965,425	$1,995,309
Franchise	—	—	—	75	221,026	221,101
Mortgage warehouse lines of credit	—	—	—	—	60,809	60,809
Community Advantage—homeowners association	—	—	—	—	91,414	91,414
Aircraft	—	—	—	—	8,840	8,840
Asset-based lending	670	—	—	10,573	729,425	740,668
Tax exempt	—	—	—	—	177,973	177,973
Leases	—	—	—	—	121,986	121,986
Other	—	—	—	—	10,261	10,261
PCI - commercial [1]	—	1,079	—	865	8,892	10,836
Total commercial	11,782	1,466	2,235	27,663	3,396,051	3,439,197
Commercial real-estate:						
Residential construction	—	—	680	27	35,690	36,397
Commercial construction	844	—	—	—	150,786	151,630
Land	2,405	—	2,682	3,438	99,445	107,970
Office	6,970	—	1,672	8,868	633,655	651,165
Industrial	6,101	—	1,114	2,706	615,139	625,060
Retail	9,540	—	217	3,089	664,584	677,430
Multi-family	1,327	—	—	3,820	570,616	575,763
Mixed use and other	6,546	—	6,626	10,744	1,337,320	1,361,236
PCI - commercial real-estate [1]	—	21,073	2,791	6,169	45,571	75,604
Total commercial real-estate	33,733	21,073	15,782	38,861	4,152,806	4,262,255
Home equity	7,311	—	1,650	4,972	693,815	707,748
Residential real estate	14,385	—	946	4,889	403,474	423,694
PCI - residential real estate [1]	—	1,414	—	248	1,413	3,075
Premium finance receivables						
Commercial insurance loans	14,517	6,808	5,600	20,777	2,160,659	2,208,361
Life insurance loans	—	—	—	4,312	1,511,820	1,516,132
PCI - life insurance loans [1]	—	—	—	—	413,202	413,202
Consumer and other	1,144	57	213	550	157,290	159,254
PCI - consumer and other [1]	—	48	—	20	174	242
Total loans, net of unearned income, excluding covered loans	$82,872	$30,866	$26,426	$102,292	$12,890,704	$13,133,160
Covered loans	9,136	35,831	6,682	7,042	253,787	312,478
Total loans, net of unearned income	$92,008	$66,697	$33,108	$109,334	$13,144,491	$13,445,638

(1)

PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. Loan agings are based upon contractually required payments.

Table of Contents

As of December 31, 2013 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$10,143	$—	$4,938	$7,404	$1,813,721	$1,836,206
Franchise	—	—	400	—	219,983	220,383
Mortgage warehouse lines of credit	—	—	—	—	67,470	67,470
Community Advantage—homeowners association	—	—	—	—	90,894	90,894
Aircraft	—	—	—	—	10,241	10,241
Asset-based lending	637	—	388	1,878	732,190	735,093
Tax exempt	—	—	—	—	161,239	161,239
Leases	—	—	—	788	109,043	109,831
Other	—	—	—	—	11,147	11,147
PCI - commercial [(1)]	—	274	156	1,685	9,068	11,183
Total commercial	10,780	274	5,882	11,755	3,224,996	3,253,687
Commercial real-estate						
Residential construction	149	—	—	—	38,351	38,500
Commercial construction	6,969	—	—	505	129,232	136,706
Land	2,814	—	4,224	619	99,128	106,785
Office	10,087	—	2,265	3,862	626,027	642,241
Industrial	5,654	—	585	914	626,785	633,938
Retail	10,862	—	837	2,435	642,125	656,259
Multi-family	2,035	—	—	348	564,154	566,537
Mixed use and other	8,088	230	3,943	15,949	1,344,244	1,372,454
PCI - commercial real-estate [(1)]	—	18,582	3,540	5,238	49,255	76,615
Total commercial real-estate	46,658	18,812	15,394	29,870	4,119,301	4,230,035
Home equity	10,071	—	1,344	3,060	704,662	719,137
Residential real-estate	14,974	—	1,689	5,032	410,430	432,125
PCI - residential real-estate [(1)]	—	1,988	—	—	879	2,867
Premium finance receivables						
Commercial insurance loans	10,537	8,842	6,912	24,094	2,117,180	2,167,565
Life insurance loans	—	—	2,524	1,808	1,495,460	1,499,792
PCI - life insurance loans [(1)]	—	—	—	—	423,906	423,906
Consumer and other	1,137	105	76	1,010	163,956	166,284
PCI - consumer and other [(1)]	—	181	—	—	1,023	1,204
Total loans, net of unearned income, excluding covered loans	$94,157	$30,202	$33,821	$76,629	$12,661,793	$12,896,602
Covered loans	9,425	56,282	5,877	7,937	266,910	346,431
Total loans, net of unearned income	$103,582	$86,484	$39,698	$84,566	$12,928,703	$13,243,033

(1) PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. Loan agings are based upon contractually required payments.

Table of Contents

As of March 31, 2013 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial and industrial	$17,717	$—	$1,150	$16,710	$1,533,999	$1,569,576
Franchise	125	—	—	76	194,310	194,511
Mortgage warehouse lines of credit	—	—	—	—	131,970	131,970
Community Advantage—homeowners association	—	—	—	—	82,763	82,763
Aircraft	—	—	—	—	14,112	14,112
Asset-based lending	531	—	483	5,518	680,723	687,255
Tax exempt	—	—	—	—	89,508	89,508
Leases	—	—	—	844	97,186	98,030
Other	—	—	—	—	127	127
PCI - commercial (1)	—	449	—	—	4,394	4,843
Total commercial	18,373	449	1,633	23,148	2,829,092	2,872,695
Commercial real-estate:						
Residential construction	3,094	—	945	—	33,044	37,083
Commercial construction	1,086	—	9,521	—	151,751	162,358
Land	17,976	—	—	11,563	104,039	133,578
Office	3,564	—	8,990	4,797	567,333	584,684
Industrial	7,137	—	—	986	587,402	595,525
Retail	7,915	—	6,970	5,953	565,963	586,801
Multi-family	2,088	—	1,036	4,315	505,346	512,785
Mixed use and other	18,947	—	1,573	13,560	1,288,754	1,322,834
PCI - commercial real-estate (1)	—	1,866	251	3,333	49,367	54,817
Total commercial real-estate	61,807	1,866	29,286	44,507	3,852,999	3,990,465
Home equity	14,891	—	1,370	4,324	738,633	759,218
Residential real estate	9,606	—	782	8,680	340,751	359,819
PCI - residential real estate (1)	—	—	198	—	635	833
Premium finance receivables						
Commercial insurance loans	12,068	7,677	4,647	19,323	1,953,445	1,997,160
Life insurance loans	20	2,256	—	1,340	1,250,165	1,253,781
PCI - life insurance loans (1)	—	—	—	—	499,731	499,731
Consumer and other	1,790	145	287	714	161,036	163,972
PCI - consumer and other (1)	—	—	—	20	2,618	2,638
Total loans, net of unearned income, excluding covered loans	$118,555	$12,393	$38,203	$102,056	$11,629,105	$11,900,312
Covered loans	1,820	115,482	1,454	12,268	387,637	518,661
Total loans, net of unearned income	$120,375	$127,875	$39,657	$114,324	$12,016,742	$12,418,973

(1) PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. Loan agings are based upon contractually required payments.

Table of Contents

Our ability to manage credit risk depends in large part on our ability to properly identify and manage problem loans. To do so, we operate a credit risk rating system under which our credit management personnel assign a credit risk rating (1 to 10 rating) to each loan at the time of origination and review loans on a regular basis.

Each loan officer is responsible for monitoring his or her loan portfolio, recommending a credit risk rating for each loan in his or her portfolio and ensuring the credit risk ratings are appropriate. These credit risk ratings are then ratified by the bank’s chief credit officer and/or concurrence credit officer. Credit risk ratings are determined by evaluating a number of factors including: a borrower’s financial strength, cash flow coverage, collateral protection and guarantees.

The Company’s Problem Loan Reporting system automatically includes all loans with credit risk ratings of 6 through 9. This system is designed to provide an on-going detailed tracking mechanism for each problem loan. Once management determines that a loan has deteriorated to a point where it has a credit risk rating of 6 or worse, the Company’s Managed Asset Division performs an overall credit and collateral review. As part of this review, all underlying collateral is identified and the valuation methodology is analyzed and tracked. As a result of this initial review by the Company’s Managed Asset Division, the credit risk rating is reviewed and a portion of the outstanding loan balance may be deemed uncollectible or an impairment reserve may be established. The Company’s impairment analysis utilizes an independent re-appraisal of the collateral (unless such a third-party evaluation is not possible due to the unique nature of the collateral, such as a closely-held business or thinly traded securities). In the case of commercial real-estate collateral, an independent third party appraisal is ordered by the Company’s Real Estate Services Group to determine if there has been any change in the underlying collateral value. These independent appraisals are reviewed by the Real Estate Services Group and sometimes by independent third party valuation experts and may be adjusted depending upon market conditions.

Through the credit risk rating process, loans are reviewed to determine if they are performing in accordance with the original contractual terms. If the borrower has failed to comply with the original contractual terms, further action may be required by the Company, including a downgrade in the credit risk rating, movement to non-accrual status, a charge-off or the establishment of a specific impairment reserve. If we determine that a loan amount, or portion thereof, is uncollectible, the loan’s credit risk rating is immediately downgraded to an 8 or 9 and the uncollectible amount is charged-off. Any loan that has a partial charge-off continues to be assigned a credit risk rating of an 8 or 9 for the duration of time that a balance remains outstanding. The Company undertakes a thorough and ongoing analysis to determine if additional impairment and/or charge-offs are appropriate and to begin a workout plan for the credit to minimize actual losses.

If, based on current information and events, it is probable that the Company will be unable to collect all amounts due to it according to the contractual terms of the loan agreement, a specific impairment reserve is established. In determining the appropriate charge-off for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

Non-performing loans include all non-accrual loans (8 and 9 risk ratings) as well as loans 90 days past due and still accruing interest, excluding PCI loans. The remainder of the portfolio is considered performing under the contractual terms of the loan agreement. The following table presents the recorded investment based on performance of loans by class, excluding covered loans, per the most recent analysis at March 31, 2014, December 31, 2013 and March 31, 2013:

	Performing			Non-performing			Total		
(Dollars in thousands)	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014	December 31, 2013	Ma 20
Loan Balances:									
Commercial									
Commercial and industrial	$1,983,810	$1,826,063	$1,551,859	$11,499	$10,143	$17,717	$1,995,309	$1,836,206	$1
Franchise	221,101	220,383	194,386	—	—	125	221,101	220,383	19
Mortgage warehouse lines of credit	60,809	67,470	131,970	—	—	—	60,809	67,470	13
Community Advantage—homeowners association	91,414	90,894	82,763	—	—	—	91,414	90,894	82,
Aircraft	8,840	10,241	14,112	—	—	—	8,840	10,241	14,
Asset-based lending	739,998	734,456	686,724	670	637	531	740,668	735,093	68
Tax exempt	177,973	161,239	89,508	—	—	—	177,973	161,239	89,
Leases	121,986	109,831	98,030	—	—	—	121,986	109,831	98,
Other	10,261	11,147	127	—	—	—	10,261	11,147	12
PCI - commercial [(1)]	10,836	11,183	4,843	—	—	—	10,836	11,183	4,8
Total commercial	3,427,028	3,242,907	2,854,322	12,169	10,780	18,373	3,439,197	3,253,687	2,8
Commercial real-estate									
Residential construction	36,397	38,351	33,989	—	149	3,094	36,397	38,500	37,
Commercial construction	150,786	129,737	161,272	844	6,969	1,086	151,630	136,706	16
Land	105,565	103,971	115,602	2,405	2,814	17,976	107,970	106,785	13
Office	644,195	632,154	581,120	6,970	10,087	3,564	651,165	642,241	58
Industrial	618,959	628,284	588,388	6,101	5,654	7,137	625,060	633,938	59
Retail	667,890	645,397	578,886	9,540	10,862	7,915	677,430	656,259	58
Multi-family	574,436	564,502	510,697	1,327	2,035	2,088	575,763	566,537	51
Mixed use and other	1,354,690	1,364,136	1,303,887	6,546	8,318	18,947	1,361,236	1,372,454	1,3
PCI - commercial real-estate[(1)]	75,604	76,615	54,817	—	—	—	75,604	76,615	54,
Total commercial real-estate	4,228,522	4,183,147	3,928,658	33,733	46,888	61,807	4,262,255	4,230,035	3,9
Home equity	700,437	709,066	744,327	7,311	10,071	14,891	707,748	719,137	75
Residential real-estate	409,309	417,151	350,213	14,385	14,974	9,606	423,694	432,125	35
PCI - residential real-estate [(1)]	3,075	2,867	833	—	—	—	3,075	2,867	83
Premium finance receivables									
Commercial insurance loans	2,187,036	2,148,186	1,977,415	21,325	19,379	19,745	2,208,361	2,167,565	1,9

Life insurance loans	1,516,132	1,499,792	1,251,505	—	—	2,276	1,516,132	1,499,792	1,2
PCI - life insurance loans [1]	413,202	423,906	499,731	—	—	—	413,202	423,906	49
Consumer and other	158,053	165,042	162,037	1,201	1,242	1,935	159,254	166,284	16
PCI - consumer and other[1]	242	1,204	2,638	—	—	—	242	1,204	2,6
Total loans, net of unearned income, excluding covered loans	$13,043,036	$12,793,268	$11,771,679	$90,124	$103,334	$128,633	$13,133,160	$12,896,602	$1

(1) PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. See Note 6 - Loans for further discussion of these purchased loans.

18

Table of Contents

A summary of activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the three ended March 31, 2014 and 2013 is as follows:

Three months ended March 31, 2014

(Dollars in thousands)	Commercial	Commercial Real-estate	Home Equity	Residential Real-estate	Premium Finance Receivable	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	$ 23,092	$ 48,658	$ 12,611	$ 5,108	$ 5,583	$ 1,870	$ 96,922
Other adjustments	(15)	(121)	(1)	(2)	(9)	—	(148)
Reclassification from (to) allowance for unfunded lending-related commitments	—	(18)	—	—	—	—	(18)
Charge-offs	(648)	(4,493)	(2,267)	(226)	(1,210)	(173)	(9,017)
Recoveries	317	145	257	131	321	61	1,232
Provision for credit losses	1,943	434	366	(320)	897	(16)	3,304
Allowance for loan losses at period end	$ 24,689	$ 44,605	$ 10,966	$ 4,691	$ 5,582	$ 1,742	$ 92,275
Allowance for unfunded lending-related commitments at period end	$ —	$ 737	$ —	$ —	$ —	$—	$ 737
Allowance for credit losses at period end	$ 24,689	$ 45,342	$ 10,966	$ 4,691	$ 5,582	$ 1,742	$ 93,012
Individually evaluated for impairment	3,107	4,041	596	455	—	95	8,294
Collectively evaluated for impairment	21,512	41,301	10,370	4,147	5,582	1,647	84,559
Loans acquired with deteriorated credit quality	70	—	—	89	—	—	159
Loans at period end							
Individually evaluated for impairment	$ 18,350	$ 99,480	$ 7,537	$ 18,026	$ —	$ 1,592	$ 144,985
Collectively evaluated for impairment	3,410,011	4,087,171	700,211	405,668	3,724,493	157,662	12,485,216
Loans acquired with deteriorated credit quality	10,836	75,604	—	3,075	413,202	242	502,959

Three months ended March 31, 2013

(Dollars in thousands)	Commercial	Commercial Real-estate	Home Equity	Residential Real-estate	Premium Finance Receivable	Consumer and Other	Total, Excluding Covered Loans
Allowance for credit losses							
Allowance for loan losses at beginning of period	$ 28,794	$ 52,135	$ 12,734	$ 5,560	$ 6,096	$ 2,032	$ 107,351
Other adjustments	(3)	(217)	—	(9)	—	—	(229)
Reclassification from (to) allowance for unfunded lending-related commitments	—	(213)	—	—	—	—	(213)
Charge-offs	(4,540)	(3,299)	(2,397)	(1,728)	(1,068)	(129)	(13,161)

Recoveries	295	368	162	5	294	109	1,233
Provision for credit losses	4,406	7,634	1,623	1,312	749	(357)	15,367
Allowance for loan losses at period end	$ 28,952	$ 56,408	$ 12,122	$ 5,140	$ 6,071	$ 1,655	$ 110,348
Allowance for unfunded lending-related commitments at period end	$ —	$ 15,287	$ —	$ —	$ —	$—	$ 15,287
Allowance for credit losses at period end	$ 28,952	$ 71,695	$ 12,122	$ 5,140	$ 6,071	$ 1,655	$ 125,635
Individually evaluated for impairment	3,682	23,089	1,748	598	—	156	29,273
Collectively evaluated for impairment	25,270	48,409	10,374	4,532	6,071	1,499	96,155
Loans acquired with deteriorated credit quality	—	197	—	10	—	—	207
Loans at period end							
Individually evaluated for impairment	$ 27,447	$ 145,203	$ 16,057	$ 12,984	$ —	$ 1,863	$ 203,554
Collectively evaluated for impairment	2,840,405	3,790,445	743,161	346,835	3,250,941	162,109	11,133,896
Loans acquired with deteriorated credit quality	4,843	54,817	—	833	499,731	2,638	562,862

Table of Contents

A summary of activity in the allowance for covered loan losses for the three months ended March 31, 2014 and 2013 is as follows:

	Three Months Ended	
(Dollars in thousands)	March 31, 2014	March 31, 2013
Balance at beginning of period	$10,092	$13,454
Provision for covered loan losses before benefit attributable to FDIC loss share agreements	(7,121)	1,600
Benefit attributable to FDIC loss share agreements	5,697	(1,280)
Net provision for covered loan losses	(1,424)	320
(Decrease) increase in FDIC indemnification asset	(5,697)	1,280
Loans charged-off	(2,864)	(2,791)
Recoveries of loans charged-off	3,340	9
Net recoveries (charge-offs)	476	(2,782)
Balance at end of period	$3,447	$12,272

In conjunction with FDIC-assisted transactions, the Company entered into loss share agreements with the FDIC. Additional expected losses, to the extent such expected losses result in the recognition of an allowance for loan losses, will increase the FDIC indemnification asset. The allowance for loan losses for loans acquired in FDIC-assisted transactions is determined without giving consideration to the amounts recoverable through loss share agreements (since the loss share agreements are separately accounted for and thus presented “gross” on the balance sheet). On the Consolidated Statements of Income, the provision for credit losses related to covered loans is reported net of changes in the amount recoverable under the loss share agreements. Reductions to expected losses, to the extent such reductions to expected losses are the result of an improvement to the actual or expected cash flows from the covered assets, will reduce the FDIC indemnification asset. Additions to expected losses will require an increase to the allowance for loan losses, and a corresponding increase to the FDIC indemnification asset. See “FDIC-Assisted Transactions” within Note 3 – Business Combinations for more detail.

Impaired Loans

A summary of impaired loans, including troubled debt restructurings ("TDRs"), is as follows:

(Dollars in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
Impaired loans (included in non-performing and TDRs):			
Impaired loans with an allowance for loan loss required [1]	$86,381	$92,184	$101,565
Impaired loans with no allowance for loan loss required	56,596	70,045	101,989
Total impaired loans [2]	$142,977	$162,229	$203,554
Allowance for loan losses related to impaired loans	$8,197	$8,265	$14,607
TDRs	$92,517	$107,103	$116,345

(1) These impaired loans require an allowance for loan losses because the estimated fair value of the loans or related collateral is less than the recorded investment in the loans.

(2) Impaired loans are considered by the Company to be non-accrual loans, TDRs or loans with principal and/or interest at risk, even if the loan is current with all payments of principal and interest.

Table of Contents

The following tables present impaired loans evaluated for impairment by loan class for the periods ended as follows:

	As of March 31, 2014			For the Three Months Ended March 31, 2014	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$9,167	$ 10,029	$2,459	$9,340	$ 120
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	670	2,465	620	677	31
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	—	—	—	—	—
Commercial construction	3,099	3,099	24	3,099	28
Land	9,260	9,625	174	9,688	79
Office	8,712	9,398	1,069	8,767	90
Industrial	6,597	6,765	513	5,985	81
Retail	12,763	12,903	826	12,819	132
Multi-family	2,053	2,143	122	2,057	23
Mixed use and other	25,420	25,591	1,272	25,853	291
Home equity	2,109	2,534	596	2,117	24
Residential real-estate	6,222	6,362	427	6,094	68
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
PCI - life insurance	—	—	—	—	—
Consumer and other	309	367	95	290	5
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$7,789	$ 14,415	$—	$8,179	$ 208
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	—	—	—	—	—
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	891	891	—	1,245	12

Commercial construction	1,466	1,471	—	1,418	17
Land	4,982	8,764	—	4,985	109
Office	6,260	6,301	—	6,266	83
Industrial	2,298	2,470	—	2,314	47
Retail	10,419	12,273	—	11,006	140
Multi-family	1,078	2,013	—	1,201	23
Mixed use and other	3,161	5,044	—	3,096	67
Home equity	5,428	7,044	—	5,777	73
Residential real-estate	11,541	14,427	—	11,699	137
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
PCI - life insurance	—	—	—	—	—
Consumer and other	1,283	1,809	—	1,285	27
Total loans, net of unearned income, excluding covered loans	$142,977	$ 168,203	$8,197	$145,257	$ 1,915

	As of December 31, 2013			For the Twelve Months Ended December 31, 2013	
(Dollars in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$6,297	$ 7,001	$1,078	$6,611	$ 354
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	282	294	282	295	14
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	—	—	—	—	—
Commercial construction	3,099	3,099	18	3,098	115
Land	10,518	11,871	259	10,323	411
Office	7,792	8,444	1,253	8,148	333
Industrial	3,385	3,506	193	3,638	179
Retail	17,511	17,638	1,253	17,678	724
Multi-family	3,237	3,730	235	2,248	139
Mixed use and other	28,935	29,051	1,366	26,792	1,194
Home equity	3,985	5,238	1,593	4,855	236
Residential real-estate	6,876	7,023	626	6,335	273
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	267	269	109	273	11
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$9,890	$ 16,333	$—	$13,928	$ 1,043
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	354	2,311	—	2,162	121
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	1,463	1,530	—	1,609	64
Commercial construction	7,710	13,227	—	9,680	722

Land	5,035	8,813	—	5,384	418
Office	10,379	11,717	—	10,925	610
Industrial	5,087	5,267	—	5,160	328
Retail	7,047	8,610	—	8,462	400
Multi-family	608	1,030	—	903	47
Mixed use and other	4,077	6,213	—	5,046	352
Home equity	6,312	7,790	—	6,307	324
Residential real-estate	10,761	13,585	—	9,443	393
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	1,322	1,865	—	1,355	115
Total loans, net of unearned income, excluding covered loans	$162,229	$ 195,455	$8,265	$170,658	$ 8,920

22

Table of Contents

(Dollars in thousands)	As of March 31, 2013 Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Three Months Ended March 31, 2013 Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$12,827	$ 14,544	$3,627	$13,034	$ 230
Franchise	—	—	—	—	—
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	511	511	55	511	7
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	1,881	2,007	405	1,976	23
Commercial construction	8,682	8,682	49	8,983	86
Land	17,851	19,070	2,380	17,861	104
Office	5,792	5,996	659	5,853	61
Industrial	4,229	4,286	1,241	4,244	65
Retail	16,734	17,316	674	16,773	194
Multi-family	3,966	4,063	152	4,044	42
Mixed use and other	18,910	20,337	2,863	19,317	232
Home equity	5,160	5,751	1,748	5,488	57
Residential real-estate	4,357	4,974	598	4,365	49
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	665	665	156	665	8
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial and industrial	$13,963	$ 17,153	$—	$14,344	$ 226
Franchise	125	1,544	—	1,189	26
Mortgage warehouse lines of credit	—	—	—	—	—
Community Advantage—homeowners association	—	—	—	—	—
Aircraft	—	—	—	—	—
Asset-based lending	21	1,358	—	23	18
Tax exempt	—	—	—	—	—
Leases	—	—	—	—	—
Other	—	—	—	—	—
Commercial real-estate					
Residential construction	3,208	3,579	—	3,708	42
Commercial construction	3,970	4,450	—	4,016	49

Land	11,305	16,304	—	12,048	203
Office	8,283	8,357	—	8,306	95
Industrial	5,541	5,653	—	5,563	74
Retail	14,483	15,095	—	14,628	172
Multi-family	2,200	4,541	—	2,618	54
Mixed use and other	18,168	19,483	—	18,345	269
Home equity	10,897	13,179	—	11,395	131
Residential real-estate	8,627	9,053	—	8,703	94
Premium finance receivables					
Commercial insurance	—	—	—	—	—
Life insurance	—	—	—	—	—
Purchased life insurance	—	—	—	—	—
Consumer and other	1,198	1,664	—	1,208	25
Total loans, net of unearned income, excluding covered loans	$203,554	$ 229,615	$14,607	$209,208	$ 2,636

23

Table of Contents

TDRs

At March 31, 2014, the Company had $92.5 million in loans modified in TDRs. The $92.5 million in TDRs represents 143 credits in which economic concessions were granted to certain borrowers to better align the terms of their loans with their current ability to pay.

The Company’s approach to restructuring loans, excluding PCI loans, is built on its credit risk rating system which requires credit management personnel to assign a credit risk rating to each loan. In each case, the loan officer is responsible for recommending a credit risk rating for each loan and ensuring the credit risk ratings are appropriate. These credit risk ratings are then reviewed and approved by the bank’s chief credit officer and/or concurrence credit officer. Credit risk ratings are determined by evaluating a number of factors including a borrower’s financial strength, cash flow coverage, collateral protection and guarantees. The Company’s credit risk rating scale is one through ten with higher scores indicating higher risk. In the case of loans rated six or worse following modification, the Company’s Managed Assets Division evaluates the loan and the credit risk rating and determines that the loan has been restructured to be reasonably assured of repayment and of performance according to the modified terms and is supported by a current, well-documented credit assessment of the borrower’s financial condition and prospects for repayment under the revised terms.

A modification of a loan, excluding PCI loans, with an existing credit risk rating of six or worse or a modification of any other credit which will result in a restructured credit risk rating of six or worse, must be reviewed for possible TDR classification. In that event, our Managed Assets Division conducts an overall credit and collateral review. A modification of these loans is considered to be a TDR if both (1) the borrower is experiencing financial difficulty and (2) for economic or legal reasons, the bank grants a concession to a borrower that it would not otherwise consider. The modification of a loan, excluding PCI loans, where the credit risk rating is five or better both before and after such modification is not considered to be a TDR. Based on the Company’s credit risk rating system, it considers that borrowers whose credit risk rating is five or better are not experiencing financial difficulties and therefore, are not considered TDRs.

All credits determined to be a TDR will continue to be classified as a TDR in all subsequent periods, unless the borrower has been in compliance with the loan’s modified terms for a period of six months (including over a calendar year-end) and the modified interest rate represented a market rate at the time of a restructuring. The Managed Assets Division, in consultation with the respective loan officer, determines whether the modified interest rate represented a current market rate at the time of restructuring. Using knowledge of current market conditions and rates, competitive pricing on recent loan originations, and an assessment of various characteristics of the modified loan (including collateral position and payment history), an appropriate market rate for a new borrower with similar risk is determined. If the modified interest rate meets or exceeds this market rate for a new borrower with similar risk, the modified interest rate represents a market rate at the time of restructuring. Additionally, before removing a loan from TDR classification, a review of the current or previously measured impairment on the loan and any concerns related to future performance by the borrower is conducted. If concerns exist about the future ability of the borrower to meet its obligations under the loans based on a credit review by the Managed Assets Division, the TDR classification is not removed from the loan. Loans classified as TDRs that are re-modified subsequent to the initial determination will continue to be classified as TDRs following the re-modification, unless the requirements for removal from TDR classification discussed above are satisfied at the time of the re-modification.

TDRs are reviewed at the time of the modification and on a quarterly basis to determine if a specific reserve is necessary. The carrying amount of the loan is compared to the expected payments to be received, discounted at the loan's original rate, or for collateral dependent loans, to the fair value of the collateral. Any shortfall is recorded as a specific reserve. The Company, in accordance with ASC 310-10, continues to individually measure impairment of these loans after the TDR classification is removed.

Each TDR was reviewed for impairment at March 31, 2014 and approximately $4.0 million of impairment was present and appropriately reserved for through the Company’s normal reserving methodology in the Company’s allowance for loan losses. For TDRs in which impairment is calculated by the present value of future cash flows, the Company records interest income representing the decrease in impairment resulting from the passage of time during the respective period, which differs from interest income from contractually required interest on these specific loans.

During the three months ended March 31, 2014 and 2013, the Company recorded $132,000 and $229,000, respectively, in interest income representing this decrease in impairment.

Table of Contents

The tables below present a summary of the post-modification balance of loans restructured during the three months ended March 31, 2014 and 2013, respectively, which represent TDRs:

Three months ended March 31, 2014	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt[2]	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	1	$88	1	$88	—	$ —	1	$88	—	$ —
Commercial real-estate										
Land	—	—	—	—	—	—	—	—	—	—
Industrial	1	1,078	1	1,078	—	—	1	1,078	—	—
Retail	1	202	1	202	—	—	—	—	—	—
Multi-family	—	—	—	—	—	—	—	—	—	—
Mixed use and other	3	3,877	2	2,604	3	3,877	1	1,273	—	—
Residential real estate and other	—	—	—	—	—	—	—	—	—	—
Total loans	6	$5,245	5	$3,972	3	$ 3,877	3	$2,439	—	$ —

Three months ended March 31, 2013	Total [1][2]		Extension at Below Market Terms [2]		Reduction of Interest Rate [2]		Modification to Interest-only Payments [2]		Forgiveness of Debt[2]	
(Dollars in thousands)	Count	Balance	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial										
Commercial and industrial	6	$708	5	$573	4	$ 553	2	$185	—	$ —
Commercial real-estate										
Land	2	287	2	287	2	287	—	—	1	73
Industrial	—	—	—	—	—	—	—	—	—	—
Retail	1	200	1	200	1	200	—	—	—	—
Multi-family	1	705	1	705	1	705	—	—	—	—
Mixed use and other	—	—	—	—	—	—	—	—	—	—
Residential real estate and other	4	377	2	70	3	361	1	123	—	—
Total loans	14	$2,277	11	$1,835	11	$ 2,106	3	$308	1	$ 73

(1) TDRs may have more than one modification representing a concession. As such, TDRs during the period may be represented in more than one of the categories noted above.
(2) Balances represent the recorded investment in the loan at the time of the restructuring.

During the three months ended March 31, 2014, six loans totaling $5.2 million were determined to be TDRs, compared to 14 loans totaling $2.3 million in the same period of 2013. Of these loans extended at below market terms, the weighted average extension had a term of approximately 13 months during the three months ended March 31, 2014 compared to 21 months for the same period of 2013. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 176 basis points and 153 basis points during the three months ending March 31, 2014 and 2013, respectively. Interest-only payment terms were approximately nine months during the three months ending March 31, 2014 compared to approximately eight months

during the three months ending March 31, 2013. Additionally, no principal balances were forgiven in the first quarter of 2014 compared to $50,000 of principal balances forgiven during the same period of 2013.

Table of Contents

The following table presents a summary of all loans restructured in TDRs during the twelve months ended March 31, 2014 and 2013, and such loans which were in payment default under the restructured terms during the respective periods below:

(Dollars in thousands)	Three Months Ended March 31, 2014				Three Months Ended March 31, 2013			
	Total (1)(3)		Payments in Default (2)(3)		Total (1)(3)		Payments in Default (2)(3)	
	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial								
Commercial and industrial	1	$88	—	$—	21	$14,901	6	$10,377
Commercial real-estate								
Residential construction	—	—	—	—	3	2,147	—	—
Commercial construction	3	6,120	3	6,120	—	—	—	—
Land	1	2,352	—	—	5	4,131	1	651
Office	4	4,021	3	3,465	—	—	—	—
Industrial	2	2,027	—	—	1	727	—	—
Retail	1	202	—	—	4	5,085	—	—
Multi-family	—	—	—	—	2	1,085	1	705
Mixed use and other	9	8,919	2	399	12	6,061	4	2,603
Residential real estate and other	6	1,919	—	—	10	969	2	221
Total loans	27	$25,648	8	$9,984	58	$35,106	14	$14,557

(1) Total TDRs represent all loans restructured in TDRs during the previous twelve months from the date indicated.
(2) TDRs considered to be in payment default are over 30 days past-due subsequent to the restructuring.
(3) Balances represent the recorded investment in the loan at the time of the restructuring.

Table of Contents

(8) Goodwill and Other Intangible Assets

A summary of the Company's goodwill assets by business segment is presented in the following table:

(Dollars in thousands)	January 1, 2014	Goodwill Acquired	Impairment Loss	Goodwill Adjustments	March 31, 2014
Community banking	$305,313	$—	$—	$—	$305,313
Specialty finance	37,370	—	—	(822)	36,548
Wealth management	31,864	—	—	—	31,864
Total	$374,547	$—	$—	$(822)	$373,725

The specialty finance segment's goodwill decreased $822,000 during the first quarter of 2014 as a result of foreign currency translation adjustments related to the acquisition of Macquarie Premium Funding Inc. in 2012.

A summary of finite-lived intangible assets as of the dates shown and the expected amortization as of March 31, 2014 is as follows:

(Dollars in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
Community banking segment:			
Core deposit intangibles:			
Gross carrying amount	$40,770	$40,770	$37,860
Accumulated amortization	(30,209)	(29,189)	(26,127)
Net carrying amount	$10,561	$11,581	$11,733
Specialty finance segment:			
Customer list intangibles:			
Gross carrying amount	$1,800	$1,800	$1,800
Accumulated amortization	(842)	(805)	(688)
Net carrying amount	$958	$995	$1,112
Wealth management segment:			
Customer list and other intangibles:			
Gross carrying amount	$7,690	$7,690	$7,390
Accumulated amortization	(1,159)	(1,053)	(725)
Net carrying amount	$6,531	$6,637	$6,665
Total other intangible assets, net	$18,050	$19,213	$19,510
Estimated amortization			
Actual in three months ended March 31, 2014			$1,163
Estimated remaining in 2014			3,207
Estimated—2015			2,791
Estimated—2016			2,180
Estimated—2017			1,764
Estimated—2018			1,544

The core deposit intangibles recognized in connection with prior bank acquisitions are amortized over a ten-year period on an accelerated basis. The customer list intangibles recognized in connection with the purchase of life insurance premium finance assets in 2009 are being amortized over an 18-year period on an accelerated basis while the customer list intangibles recognized in connection with prior acquisitions within the wealth management segment are being amortized over a ten-year period on a straight-line basis.

Total amortization expense associated with finite-lived intangibles totaled approximately $1.2 million and $1.1 million for the three months ended March 31, 2014 and 2013, respectively.

Table of Contents

(9) Deposits

The following table is a summary of deposits as of the dates shown:

(Dollars in thousands)	March 31, 2014		December 31, 2013		March 31, 2013	
Balance:						
Non-interest bearing	$2,773,922		$2,721,771		$2,243,440	
NOW	1,983,251		1,953,882		2,043,227	
Wealth management deposits	1,289,134		1,013,850		868,119	
Money market	3,454,271		3,359,999		2,879,636	
Savings	1,443,943		1,392,575		1,258,682	
Time certificates of deposit	4,184,524		4,226,712		4,669,653	
Total deposits	$15,129,045		$14,668,789		$13,962,757	
Mix:						
Non-interest bearing	18	%	19	%	16	%
NOW	13		13		15	
Wealth management deposits	8		7		6	
Money market	23		23		21	
Savings	10		9		9	
Time certificates of deposit	28		29		33	
Total deposits	100	%	100	%	100	%

Wealth management deposits represent deposit balances (primarily money market accounts) at the Company’s subsidiary banks from brokerage customers of Wayne Hummer Investments, trust and asset management customers of CTC and brokerage customers from unaffiliated companies.

(10) Notes Payable, Federal Home Loan Bank Advances, Other Borrowings and Subordinated Notes

The following table is a summary of notes payable, Federal Home Loan Bank advances, other borrowings and subordinated notes as of the dates shown:

(Dollars in thousands)	March 31, 2014	December 31, 2013	March 31, 2013
Notes payable	$182	$364	$31,911
Federal Home Loan Bank advances	387,672	417,762	414,032
Other borrowings:			
Securities sold under repurchase agreements	211,692	235,347	224,297
Other	19,212	19,393	31,947
Total other borrowings	230,904	254,740	256,244
Subordinated notes	—	—	15,000
Total notes payable, Federal Home Loan Bank advances, other borrowings and subordinated notes	$618,758	$672,866	$717,187

At March 31, 2014, the Company had notes payable of $182,000, which represents an unsecured promissory note to a Great Lakes Advisor shareholder ("Unsecured Promissory Note") assumed by the Company as a result of the respective acquisition. Under the Unsecured Promissory Note, the Company will make quarterly principal payments and pay interest at a rate of the federal funds rate plus 100 basis points until its maturity on September 30, 2014. As of March 31, 2014, the interest rate was 1.25%. At December 31, 2013 and March 31, 2013, this Unsecured Promissory Note had an outstanding balance of $364,000 and $911,000, respectively.

The Company previously had a $101.0 million loan agreement ("Agreement") with unaffiliated banks. The Agreement consisted of a $100.0 million revolving credit facility, maturing on October 25, 2013, and a $1.0 million term loan maturing on June 1, 2015. The Agreement was amended in 2013, effectively extending the maturity date on the revolving credit facility from October 25, 2013 to November 6, 2014. Additionally, the Company repaid and terminated its $1.0 million term loan at that time. At March 31, 2014, no amount was outstanding on the $100.0

million revolving credit facility. Borrowings under the Agreement that are

considered “Base Rate Loans” will bear interest at a rate equal to the higher of (1) 350 basis points and (2) for the applicable period, the highest of (a) the federal funds rate plus 100 basis points, (b) the lender’s prime rate plus 50 basis points, and (c) the Eurodollar Rate (as defined below) that would be applicable for an interest period of one month plus 150 basis points. Borrowings under the Agreement that are considered “Eurodollar Rate Loans” will bear interest at a rate equal to the higher of (1) the British Bankers Association’s LIBOR rate for the applicable period plus 250 basis points (the “Eurodollar Rate”) and (2) 350 basis points. A commitment fee is payable quarterly equal to 0.375% of the actual daily amount by which the lenders’ commitment under the revolving note exceeded the amount outstanding under such facility.

Borrowings under the Agreement are secured by the stock of some of the banks and contain several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. At March 31, 2014, the Company was in compliance with all such covenants. The revolving credit facility is available to be utilized, as needed, to provide capital to fund continued growth at the Company’s banks and to serve as an interim source of funds for acquisitions, common stock repurchases or other general corporate purposes.

Federal Home Loan Bank advances consist of obligations of the banks and are collateralized by qualifying residential real-estate and home equity loans and certain securities. FHLB advances are stated at par value of the debt adjusted for unamortized fair value adjustments recorded in connection with advances acquired through acquisitions.

At March 31, 2014, December 31, 2013 and March 31, 2013, securities sold under repurchase agreements represent $31.7 million, $55.3 million and $44.3 million, respectively, of customer sweep accounts in connection with master repurchase agreements at the banks, and $180.0 million of short-term borrowings from brokers. The Company records securities sold under repurchase agreements at their gross value and does not offset positions on the Consolidated Statements of Condition. As of March 31, 2014, the Company had pledged securities related to its customer balances in sweep accounts and short-term borrowings from brokers of $122.1 million and $192.1 million, respectively, which exceed the outstanding borrowings resulting in no net credit exposure. Securities pledged for customer balances in sweep accounts and short-term borrowings from brokers are maintained under the Company’s control and consist of U.S. Government agency, mortgage-backed and corporate securities. These securities are included in the available-for-sale securities portfolio as reflected on the Company’s Consolidated Statements of Condition.

Other borrowings at March 31, 2014 represent a fixed-rate promissory note issued by the Company in August 2012 ("Fixed-rate Promissory Note") related to and secured by an office building owned by the Company. At March 31, 2014, the Fixed-rate Promissory Note had an outstanding balance of $19.2 million. Under the Fixed-rate Promissory Note, the Company will make monthly principal payments and pay interest at a fixed rate of 3.75% until maturity on September 1, 2017.

Junior subordinated amortizing notes issued by the Company in connection with the issuance of the TEU's in December 2010 were paid off in 2013. At issuance, the junior subordinated notes were recorded at their initial principal balance of $44.7 million, net of issuance costs. These notes had a stated interest rate of 9.5% and required quarterly principal and interest payments of $4.3 million, with an initial payment of $4.6 million that was paid on March 15, 2011. The issuance costs were being amortized to interest expense using the effective-interest method. The scheduled final installment payment on the notes was December 15, 2013. See Note 16 – Shareholders’ Equity and Earnings Per Share for further discussion of the TEUs.

At March 31, 2014 and December 31, 2013, the Company had no outstanding subordinated notes. At March 31, 2013, the Company had an obligation for one note issued in October 2005 with a remaining balance of $15.0 million and a maturity in May 2015. In November 2013, this note was paid-off prior to maturity with a remaining balance of $10.0 million. Interest on each note was calculated at a rate equal to three-month LIBOR plus 130 basis points.

(11) Junior Subordinated Debentures

As of March 31, 2014, the Company owned 100% of the common securities of nine trusts, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Wintrust Capital Trust VIII, Wintrust Capital Trust IX, Northview Capital Trust I, Town Bankshares Capital Trust I, and First Northwest Capital Trust I (the “Trusts”) set up to provide long-term financing. The Northview, Town and First Northwest capital trusts

were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., and First Northwest Bancorp, Inc., respectively. The Trusts were formed for purposes of issuing trust preferred securities to third-party investors and investing the proceeds from the issuance of the trust preferred securities and common securities solely in junior subordinated debentures issued by the Company (or assumed by the Company in connection with an acquisition), with the same maturities and interest rates as the trust preferred securities. The junior subordinated debentures are the sole assets of the Trusts. In each Trust, the common securities represent approximately 3% of the junior subordinated debentures and the trust preferred securities represent approximately 97% of the junior subordinated debentures.

The Trusts are reported in the Company’s consolidated financial statements as unconsolidated subsidiaries. Accordingly, in the Consolidated Statements of Condition, the junior subordinated debentures issued by the Company to the Trusts are reported as

Table of Contents

liabilities and the common securities of the Trusts, all of which are owned by the Company, are included in available-for-sale securities.
The following table provides a summary of the Company's junior subordinated debentures as of March 31, 2014. The junior subordinated debentures represent the par value of the obligations owed to the Trusts.

(Dollars in thousands)	Common Securities	Trust Preferred Securities	Junior Subordinated Debentures	Rate Structure	Contractual rate at 3/31/2014		Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 774	$ 25,000	$ 25,774	L+3.25	3.49	%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	20,619	L+2.80	3.03	%	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	41,238	L+2.60	2.83	%	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	51,550	L+1.95	2.18	%	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	40,000	41,238	L+1.45	1.68	%	08/2005	09/2035	09/2010
Wintrust Captial Trust IX	1,547	50,000	51,547	L+1.63	1.86	%	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	6,186	L+3.00	3.24	%	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	6,186	L+3.00	3.24	%	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	5,155	L+3.00	3.23	%	05/2004	05/2034	05/2009
Total			$ 249,493		2.42	%			

The junior subordinated debentures totaled $249.5 million at March 31, 2014, December 31, 2013 and March 31, 2013.
The interest rates on the variable rate junior subordinated debentures are based on the three-month LIBOR rate and reset on a quarterly basis. At March 31, 2014, the weighted average contractual interest rate on the junior subordinated debentures was 2.42%. The Company entered into interest rate swaps and caps with an aggregate notional value of $225 million to hedge the variable cash flows on certain junior subordinated debentures. Two of these interest rate caps, which were purchased in 2013 with an aggregate notional amount of $90 million, replaced two interest rate swaps that matured in September 2013. The hedge-adjusted rate on the junior subordinated debentures as of March 31, 2014, was 3.17%. Distributions on the common and preferred securities issued by the Trusts are payable quarterly at a rate per annum equal to the interest rates being earned by the Trusts on the junior subordinated debentures. Interest expense on the junior subordinated debentures is deductible for income tax purposes.
The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the trust preferred securities, in each case to the extent of funds held by the Trusts. The Company and the Trusts believe that, taken together, the obligations of the Company under the guarantees, the junior subordinated debentures, and other related agreements provide, in the aggregate, a full, irrevocable and unconditional guarantee, on a subordinated basis, of all of the obligations of the Trusts under the trust preferred securities. Subject to certain limitations, the Company has the right to defer the payment of interest on the junior subordinated debentures at any time, or from time to time, for a period not to exceed 20 consecutive quarters. The trust preferred securities are subject to mandatory redemption, in whole or in part, upon repayment of the junior subordinated debentures at maturity or their earlier redemption. The junior subordinated debentures are redeemable in whole or in part prior to maturity at any time after the earliest redemption dates shown in the table, and earlier at the discretion of the Company if certain conditions are met, and, in any event, only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines

or regulations.

The junior subordinated debentures, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. The amount of junior subordinated debentures and certain other capital elements in excess of those certain limitations could be included in Tier 2 capital, subject to restrictions. At March 31, 2014, all of the junior subordinated debentures, net of the Common Securities, were included in the Company’s Tier 1 regulatory capital.

(12) Segment Information

The Company’s operations consist of three primary segments: community banking, specialty finance and wealth management.

The three reportable segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies. In addition, each segment’s customer base has varying characteristics and each segment has a different regulatory environment. While the Company’s management monitors each of the fifteen bank subsidiaries’ operations and profitability separately, these subsidiaries have been aggregated into one reportable operating segment due to the similarities in products and services, customer base, operations, profitability measures, and economic characteristics.

Table of Contents

As of December 31, 2013, management made changes in its approach to measure segment profitability. 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. See Note 9 — Deposits, for more information on these deposits. Finally, expenses incurred at the Wintrust parent company are allocated to each segment based on each segment's risk-weighted assets. The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the segments are substantially similar to as those described in "Summary of Significant Accounting Policies" in Note 1 of the Company's 2013 Form 10-K. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment.

The following is a summary of certain operating information for reportable segments:

	Three months ended March 31,		$ Change in	% Change in
(Dollars in thousands)	2014	2013	Contribution	Contribution
Net interest income:				
Community Banking	$116,755	$106,230	$10,525	10 %
Specialty Finance	19,212	17,482	1,730	10
Wealth Management	4,099	3,447	652	19
Total Operating Segments	140,066	127,159	12,907	10
Intersegment Eliminations	3,940	3,554	386	11
Consolidated net interest income	$144,006	$130,713	$13,293	10 %
Non-interest income:				
Community Banking	$27,319	$40,601	$(13,282)	(33)%
Specialty Finance	7,881	7,305	576	8
Wealth Management	16,941	15,442	1,499	10
Total Operating Segments	52,141	63,348	(11,207)	(18)
Intersegment Eliminations	(6,612)	(5,969)	(643)	(11)
Consolidated non-interest income	$45,529	$57,379	$(11,850)	(21)%
Net revenue:				
Community Banking	$144,074	$146,831	$(2,757)	(2)%
Specialty Finance	27,093	24,787	2,306	9
Wealth Management	21,040	18,889	2,151	11
Total Operating Segments	192,207	190,507	1,700	1
Intersegment Eliminations	(2,672)	(2,415)	(257)	(11)
Consolidated net revenue	$189,535	$188,092	$1,443	1 %
Segment profit:				
Community Banking	$22,581	$20,979	$1,602	8 %
Specialty Finance	8,982	8,629	353	4
Wealth Management	2,937	2,444	493	20
Consolidated net income	$34,500	$32,052	$2,448	8 %
Segment assets:				
Community Banking	$15,160,507	$14,295,418	$865,089	6 %
Specialty Finance	2,532,362	2,291,140	241,222	11
Wealth Management	528,294	487,689	40,605	8
Consolidated total assets	$18,221,163	$17,074,247	$1,146,916	7 %

31

(13) Derivative Financial Instruments
The Company primarily enters into derivative financial instruments as part of its strategy to manage its exposure to changes in interest rates. Derivative instruments represent contracts between parties that result in one party delivering cash to the other party based on a notional amount and an underlying (such as a rate, security price or price index) as specified in the contract. The amount of cash delivered from one party to the other is determined based on the interaction of the notional amount of the contract with the underlying. Derivatives are also implicit in certain contracts and commitments.
The derivative financial instruments currently used by the Company to manage its exposure to interest rate risk include: (1) interest rate swaps and caps to manage the interest rate risk of certain fixed and variable rate assets and variable rate liabilities; (2) interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market; (3) forward commitments for the future delivery of such mortgage loans to protect the Company from adverse changes in interest rates and corresponding changes in the value of mortgage loans available-for-sale; and (4) covered call options to economically hedge specific investment securities and receive fee income effectively enhancing the overall yield on such securities. The Company also enters into derivatives (typically interest rate swaps) with certain qualified borrowers to facilitate the borrowers' risk management strategies and concurrently enters into mirror-image derivatives with a third party counterparty, effectively making a market in the derivatives for such borrowers. Additionally, the Company enters into foreign currency contracts to manage foreign exchange risk associated with certain foreign currency denominated assets.
The Company has purchased interest rate cap derivatives to hedge or manage its own risk exposures. Certain interest rate cap derivatives have been designated as cash flow hedge derivatives of the variable cash outflows associated with interest expense on the Company's junior subordinated debentures and certain deposits. Other cap derivatives are not designated for hedge accounting but are economic hedges of the Company's overall portfolio, therefore any mark to market changes in the value of these caps are recognized in earnings.
Below is a summary of the interest rate cap derivatives held by the Company as of March 31, 2014:
(Dollars in thousands)

Effective Date	Maturity Date	Notional Amount	Accounting Treatment	Fair Value as of March 31, 2014
September 30, 2011	September 30, 2014	$20,000	Cash Flow Hedging	$—
September 30, 2011	September 30, 2014	40,000	Cash Flow Hedging	—
May 3, 2012	May 3, 2015	77,000	Non-Hedge Designated	—
May 3, 2012	May 3, 2016	215,000	Non-Hedge Designated	391
June 1, 2012	April 1, 2015	96,530	Non-Hedge Designated	—
August 29, 2012	August 29, 2016	216,500	Cash Flow Hedging	801
February 22, 2013	August 22, 2016	56,500	Non-Hedge Designated	246
February 22, 2013	August 22, 2016	43,500	Cash Flow Hedging	190
March 21, 2013	March 21, 2017	100,000	Non-Hedge Designated	1,023
May 16, 2013	November 16, 2016	75,000	Non-Hedge Designated	482
September 15, 2013	September 15, 2017	50,000	Cash Flow Hedging	866
September 30, 2013	September 30, 2017	40,000	Cash Flow Hedging	721
		$1,030,030		$4,720

The Company recognizes derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. The Company records derivative assets and derivative liabilities on the Consolidated Statements of Condition within accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders' equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for

as cash flow hedges, to the extent they are effective hedges, are recorded as a component of other comprehensive income, net of deferred taxes, and reclassified to earnings when the hedged transaction affects earnings. Changes in fair values of derivative financial instruments not designated in a hedging relationship pursuant to ASC 815, including changes in fair value related to the ineffective portion of cash flow hedges, are reported in non-interest income during the period of the change. Derivative financial instruments are valued by a third party and are corroborated by comparison with valuations provided by the respective

Table of Contents

counterparties. Fair values of certain mortgage banking derivatives (interest rate lock commitments and forward commitments to sell mortgage loans) are estimated based on changes in mortgage interest rates from the date of the loan commitment. The fair value of foreign currency derivatives is computed based on changes in foreign currency rates stated in the contract compared to those prevailing at the measurement date.
The table below presents the fair value of the Company's derivative financial instruments as of March 31, 2014, December 31, 2013 and March 31, 2013:

	Derivative Assets Fair Value			Derivative Liabilities Fair Value		
(Dollars in thousands)	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014	December 31, 2013	March 31, 2013
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	$2,578	$1,776	$1	$2,892	$3,160	$6,556
Interest rate derivatives designated as Fair Value Hedges	90	107	93	1	1	—
Total derivatives designated as hedging instruments under ASC 815	$2,668	$1,883	$94	$2,893	$3,161	$6,556
Derivatives not designated as hedging instruments under ASC 815:						
Interest rate derivatives	$34,571	$36,073	$46,559	$32,097	$31,646	$43,706
Interest rate lock commitments	13,658	7,500	5,551	115	147	1,315
Forward commitments to sell mortgage loans	625	2,761	213	2,688	2,310	3,015
Foreign exchange contracts	7	4	19	4	—	153
Total derivatives not designated as hedging instruments under ASC 815	$48,861	$46,338	$52,342	$34,904	$34,103	$48,189
Total derivatives	$51,529	$48,221	$52,436	$37,797	$37,264	$54,745

Cash Flow Hedges of Interest Rate Risk
The Company's objectives in using interest rate derivatives are to add stability to net interest income and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps and interest rate caps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without the exchange of the underlying notional amount. Interest rate caps designated as cash flow hedges involve the receipt of payments at the end of each period in which the interest rate specified in the contract exceeds the agreed upon strike price.
During the first quarter of 2014, the Company designated two existing interest rate cap derivatives as cash flow hedges of variable rate deposits. The cap derivatives had notional amounts of $216.5 million and $43.5 million, respectively, both maturing in August 2016. Additionally, as of March 31, 2014, the Company had two interest rate swaps and four interest rate caps designated as hedges of the variable cash outflows associated with interest expense on the Company's junior subordinated debentures. The effective portion of changes in the fair value of these cash flow hedges is recorded in accumulated other comprehensive income and is subsequently reclassified to interest expense as interest payments are made on the Company's variable rate junior subordinated debentures. The changes in fair value (net of tax) are separately disclosed in the Consolidated Statements of Comprehensive Income. The ineffective portion of the change in fair value of these derivatives is recognized directly in earnings; however, no hedge ineffectiveness

was recognized during the three months ended March 31, 2014 or March 31, 2013. The Company uses the hypothetical derivative method to assess and measure effectiveness.

Table of Contents

The table below provides details on each of these cash flow hedges as of March 31, 2014:

(Dollars in thousands) Maturity Date	March 31, 2014 Notional Amount	Fair Value Asset (Liability)
Interest Rate Swaps:		
September 2016	50,000	(1,906)
October 2016	25,000	(986)
Total Interest Rate Swaps	75,000	(2,892)
Interest Rate Caps:		
September 2014	20,000	—
September 2014	40,000	—
August 2016	43,500	190
August 2016	216,500	801
September 2017	50,000	866
September 2017	40,000	721
Total Interest Rate Caps	410,000	2,578
Total Cash Flow Hedges	$485,000	$(314)

A rollforward of the amounts in accumulated other comprehensive income related to interest rate derivatives designated as cash flow hedges follows:

(Dollars in thousands)	Three months ended March 31, 2014	2013
Unrealized loss at beginning of period	$(3,971)	$(8,673)
Amount reclassified from accumulated other comprehensive income to interest expense on junior subordinated debentures	493	1,539
Amount of loss recognized in other comprehensive income	(591)	(65)
Unrealized loss at end of period	$(4,069)	$(7,199)

As of March 31, 2014, the Company estimates that during the next twelve months, $1.9 million will be reclassified from accumulated other comprehensive income as an increase to interest expense.

Fair Value Hedges of Interest Rate Risk

Interest rate swaps designated as fair value hedges involve the payment of fixed amounts to a counterparty in exchange for the Company receiving variable payments over the life of the agreements without the exchange of the underlying notional amount. As of March 31, 2014, the Company has three interest rate swaps with an aggregate notional amount of $5.8 million that were designated as fair value hedges associated with fixed rate commercial franchise loans.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in earnings. The Company includes the gain or loss on the hedged item in the same line item as the offsetting loss or gain on the related derivatives. The Company recognized net losses of $2,000 and $1,000 in other income related to hedge ineffectiveness for the three months ended March 31, 2014 and 2013, respectively. The Company also recognized net decreases in interest income of $10,000 and $2,000 for the respective three month periods ended March 31, 2014 and 2013 related to net settlements on the derivatives.

On June 1, 2013, the Company de-designated a $96.5 million cap which was previously designated as a fair value hedge of interest rate risk associated with an embedded cap in one of the Company's floating rate loans. The hedged loan was restructured which resulted in the interest rate cap no longer qualifying as an effective fair value hedge. As such, the interest rate cap derivative is no longer accounted for under hedge accounting and all changes in value subsequent to June 1, 2013 are recorded in earnings. Additionally, in the three month period ended March 31, 2014 the Company recorded amortization of the basis in the previously hedged item as a reduction to interest income of $43,000.

Table of Contents

The following table presents the gain/(loss) and hedge ineffectiveness recognized on derivative instruments and the related hedged items that are designated as a fair value hedge accounting relationship as of March 31, 2014 and 2013:

(Dollars in thousands) Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative Three Months Ended March 31,		Amount of Gain or (Loss) Recognized in Income on Hedged Item Three Months Ended March 31,		Income Statement Gain/(Loss) due to Hedge Ineffectiveness Three Months Ended March 31,	
		2014	2013	2014	2013	2014	2013
Interest rate products	Other income	$ (17)	$ (11)	$ 15	$ 10	$(2)	$(1)

Non-Designated Hedges

The Company does not use derivatives for speculative purposes. Derivatives not designated as hedges are used to manage the Company's exposure to interest rate movements and other identified risks but do not meet the strict hedge accounting requirements of ASC 815. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

Interest Rate Derivatives—The Company has interest rate derivatives, including swaps and option products, resulting from a service the Company provides to certain qualified borrowers. The Company's banking subsidiaries execute certain derivative products (typically interest rate swaps) directly with qualified commercial borrowers to facilitate their respective risk management strategies. For example, these arrangements allow the Company's commercial borrowers to effectively convert a variable rate loan to a fixed rate. In order to minimize the Company's exposure on these transactions, the Company simultaneously executes offsetting derivatives with third parties. In most cases, the offsetting derivatives have mirror-image terms, which result in the positions' changes in fair value substantially offsetting through earnings each period. However, to the extent that the derivatives are not a mirror-image and because of differences in counterparty credit risk, changes in fair value will not completely offset resulting in some earnings impact each period. Changes in the fair value of these derivatives are included in other non-interest income. At March 31, 2014, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $2.9 billion (all interest rate swaps and caps with customers and third parties) related to this program. These interest rate derivatives had maturity dates ranging from April 2014 to January 2033.

Mortgage Banking Derivatives—These derivatives include interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market and forward commitments for the future delivery of such loans. It is the Company's practice to enter into forward commitments for the future delivery of a portion of our residential mortgage loan production when interest rate lock commitments are entered into in order to economically hedge the effect of future changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. The Company's mortgage banking derivatives have not been designated as being in hedge relationships. At March 31, 2014, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $445.0 million and interest rate lock commitments with an aggregate notional amount of approximately $306.6 million. Additionally, the Company's total mortgage loans held-for-sale at March 31, 2014 was $215.2 million. The fair values of these derivatives were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

Foreign Currency Derivatives—These derivatives include foreign currency contracts used to manage the foreign exchange risk associated with foreign currency denominated assets and transactions. Foreign currency contracts, which include spot and forward contracts, represent agreements to exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. As a result of fluctuations in foreign currencies, the U.S. dollar-equivalent value of the foreign currency denominated assets or forecasted transactions increase or decrease. Gains or losses on the derivative instruments related to these foreign currency

denominated assets or forecasted transactions are expected to substantially offset this variability. As of March 31, 2014 the Company held foreign currency derivatives with an aggregate notional amount of approximately $1.8 million.

Other Derivatives—Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the banks' investment portfolios (covered call options). These option transactions are designed primarily as an economic hedge to increase the total return associated with the investment securities portfolio. These options do not qualify as hedges pursuant to ASC 815, and, accordingly, changes in fair value of these contracts are recognized as other non-interest income. There were no covered call options outstanding as of March 31, 2014, December 31, 2013 or March 31, 2013.

As discussed above, the Company has entered into interest rate cap derivatives to protect the Company in a rising rate environment against increased margin compression due to the repricing of variable rate liabilities and lack of repricing of fixed rate loans and/

Table of Contents

or securities. As of March 31, 2014, the Company held six interest rate cap derivative contracts, which are not designated in hedge relationships, with an aggregate notional value of $620.0 million.
Amounts included in the Consolidated Statements of Income related to derivative instruments not designated in hedge relationships were as follows:

(Dollars in thousands)		Three Months Ended March 31,	
Derivative	Location in income statement	2014	2013
Interest rate swaps and caps	Other income	$(677)	$(297)
Mortgage banking derivatives	Mortgage banking revenue	3,677	(670)
Covered call options	Fees from covered call options	1,542	1,639
Foreign exchange contracts	Other income	(1)	(146)

Credit Risk

Derivative instruments have inherent risks, primarily market risk and credit risk. Market risk is associated with changes in interest rates and credit risk relates to the risk that the counterparty will fail to perform according to the terms of the agreement. The amounts potentially subject to market and credit risks are the streams of interest payments under the contracts and the market value of the derivative instrument and not the notional principal amounts used to express the volume of the transactions. Market and credit risks are managed and monitored as part of the Company's overall asset-liability management process, except that the credit risk related to derivatives entered into with certain qualified borrowers is managed through the Company's standard loan underwriting process since these derivatives are secured through collateral provided by the loan agreements. Actual exposures are monitored against various types of credit limits established to contain risk within parameters. When deemed necessary, appropriate types and amounts of collateral are obtained to minimize credit exposure.

The Company has agreements with certain of its interest rate derivative counterparties that contain cross-default provisions, which provide that if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations. The Company also has agreements with certain of its derivative counterparties that contain a provision allowing the counterparty to terminate the derivative positions if the Company fails to maintain its status as a well or adequately capitalized institution, which would require the Company to settle its obligations under the agreements. As of March 31, 2014 the fair value of interest rate derivatives in a net liability position, which includes accrued interest related to these agreements, was $26.2 million. If the Company had breached any of these provisions at March 31, 2014 it would have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

The Company's is also exposed to the credit risk of its commercial borrowers who are counterparties to interest rate derivatives with the banks. This counterparty risk related to the commercial borrowers is managed and monitored through the banks' standard underwriting process applicable to loans since these derivatives are secured through collateral provided by the loan agreement. The counterparty risk associated with the mirror-image swaps executed with third parties is monitored and managed in connection with the Company's overall asset liability management process.

Table of Contents

The Company records interest rate derivatives subject to master netting agreements at their gross value and does not offset derivative assets and liabilities on the Consolidated Statements of Condition. The tables below summarize the Company's interest rate derivatives and offsetting positions as of the dates shown.

	Derivative Assets			Derivative Liabilities		
	Fair Value			Fair Value		
(Dollars in thousands)	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014	December 31, 2013	March 31, 2013
Gross Amounts Recognized	$37,239	$37,956	$46,653	$34,990	$34,807	$50,262
Less: Amounts offset in the Statements of Financial Condition	$—	$—	$—	$—	$—	$—
Net amount presented in the Statements of Financial Condition	$37,239	$37,956	$46,653	$34,990	$34,807	$50,262
Gross amounts not offset in the Statements of Financial Condition						
Offsetting Derivative Positions	(7,359)	(8,826)	(1,523)	(7,359)	(8,826)	(1,523)
Securities Collateral Posted [1]	—	—	—	(27,631)	(25,981)	(43,361)
Cash Collateral Posted	—	—	—	—	—	(2,445)
Net Credit Exposure	$29,880	$29,130	$45,130	$—	$—	$2,933

(1) As of March 31, 2014 and December 31, 2013, the Company posted securities collateral of $37.1 million and $34.6 million, respectively, which resulted in excess collateral with its counterparties. For purposes of this disclosure, the amount of posted collateral is limited to the amount offsetting the derivative liability.

(14) Fair Values of Assets and Liabilities

The Company measures, monitors and discloses certain of its assets and liabilities on a fair value basis. These financial assets and financial liabilities are measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the observability of the assumptions used to determine fair value. These levels are:

- Level 1—unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2—inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3—significant unobservable inputs that reflect the Company's own assumptions that market participants would use in pricing the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's categorization within the above valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets or liabilities.

Following is a description of the valuation methodologies used for the Company's assets and liabilities measured at fair value on a recurring basis.

Available-for-sale and trading account securities—Fair values for available-for-sale and trading securities are typically based on prices obtained from independent pricing vendors. Securities measured with these valuation techniques are generally classified as Level 2 of the fair value hierarchy. Typically, standard inputs such as benchmark yields, reported trades for similar securities, issuer spreads, benchmark securities, bids, offers and reference data including market research publications are used to fair value a security. When these inputs are not available, broker/dealer

quotes may be obtained by the vendor to determine the fair value of the security. We review the vendor's pricing methodologies to determine if observable market information is being used, versus unobservable inputs. Fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy.

The Company's Investment Operations Department is responsible for the valuation of Level 3 available-for-sale securities. The methodology and variables used as inputs in pricing Level 3 securities are derived from a combination of observable and

unobservable inputs. The unobservable inputs are determined through internal assumptions that may vary from period to period due to external factors, such as market movement and credit rating adjustments.

At March 31, 2014, the Company classified $39.8 million of municipal securities as Level 3. These municipal securities are bond issues for various municipal government entities, including park districts, located in the Chicago metropolitan area and southeastern Wisconsin and are privately placed, non-rated bonds without CUSIP numbers. The Company's methodology for pricing the non-rated bonds focuses on three distinct inputs: equivalent rating, yield and other pricing terms. To determine the rating for a given non-rated municipal bond, the Investment Operations Department references a publicly issued bond by the same issuer if available. A reduction is then applied to the rating obtained from the comparable bond, as the Company believes if liquidated, a non-rated bond would be valued less than a similar bond with a verifiable rating. The reduction applied by the Company is one complete rating grade (i.e. a "AA" rating for a comparable bond would be reduced to "A" for the Company's valuation). In the first quarter of 2014, all of the ratings derived in the above process by Investment Operations were BBB or better, for both bonds with and without comparable bond proxies. The fair value measurement of municipal bonds is sensitive to the rating input, as a higher rating typically results in an increased valuation. The remaining pricing inputs used in the bond valuation are observable. Based on the rating determined in the above process, Investment Operations obtains a corresponding current market yield curve available to market participants. Other terms including coupon, maturity date, redemption price, number of coupon payments per year, and accrual method are obtained from the individual bond term sheets. Certain municipal bonds held by the Company at March 31, 2014 have a call date that has passed, and are now continuously callable. When valuing these bonds, the fair value is capped at par value as the Company assumes a market participant would not pay more than par for a continuously callable bond.

At March 31, 2014, the Company held $23.4 million of other equity securities classified as Level 3. The securities in Level 3 are primarily comprised of auction rate preferred securities. The Company utilizes an independent pricing vendor to provide a fair market valuation of these securities. The vendor's valuation methodology includes modeling the contractual cash flows of the underlying preferred securities and applying a discount to these cash flows by a credit spread derived from the market price of the securities underlying debt. At March 31, 2014, the vendor considered five different securities whose implied credit spreads were believed to provide a proxy for the Company's auction rate preferred securities. The credit spreads ranged from 1.44%-2.33% with an average of 1.93% which was added to three-month LIBOR to be used as the discount rate input to the vendor's model. Fair value of the securities is sensitive to the discount rate utilized as a higher discount rate results in a decreased fair value measurement.

Mortgage loans held-for-sale—Mortgage loans originated by Wintrust Mortgage, a division of Barrington Bank and Trust Company, N.A. ("Barrington Bank"), are carried at fair value. The fair value of mortgage loans held-for-sale is determined by reference to investor price sheets for loan products with similar characteristics.

Mortgage servicing rights—Fair value for mortgage servicing rights is determined utilizing a third party valuation model which stratifies the servicing rights into pools based on product type and interest rate. The fair value of each servicing rights pool is calculated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that pool, given current market conditions. At March 31, 2014, the Company classified $8.7 million of mortgage servicing rights as Level 3. The weighted average discount rate used as an input to value the pool of mortgage servicing rights at March 31, 2014 was 9.66% with discount rates applied ranging from 9.5%-13.0%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. Additionally, fair value estimates include assumptions about prepayment speeds which ranged from 10%-15% or a weighted average prepayment speed of 11.95% used as an input to value the pool of mortgage servicing rights at March 31, 2014. Prepayment speeds are inversely related to the fair value of mortgage servicing rights as an increase in prepayment speeds results in a decreased valuation.

Derivative instruments—The Company's derivative instruments include interest rate swaps and caps, commitments to fund mortgages for sale into the secondary market (interest rate locks), forward commitments to end investors for the sale of mortgage loans and foreign currency contracts. Interest rate swaps and caps are valued by a third party, using models that primarily use market observable inputs, such as yield curves, and are corroborated by comparison with valuations provided by the respective counterparties. The fair value for mortgage derivatives is based on changes in mortgage rates from the date of the commitments. The fair value of foreign currency derivatives is computed based on

change in foreign currency rates stated in the contract compared to those prevailing at the measurement date. The Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

Nonqualified deferred compensation assets—The underlying assets relating to the nonqualified deferred compensation plan are included in a trust and primarily consist of non-exchange traded institutional funds which are priced based by an independent third party service.

Table of Contents

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis for the periods presented:

	March 31, 2014			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$340,178	$—	$340,178	$—
U.S. Government agencies	828,275	—	828,275	—
Municipal	175,300	—	135,528	39,772
Corporate notes	135,067	—	135,067	—
Mortgage-backed	417,303	—	417,303	—
Equity securities	53,574	—	30,136	23,438
Trading account securities	1,068	—	1,068	—
Mortgage loans held-for-sale	215,231	—	215,231	—
Mortgage servicing rights	8,719	—	—	8,719
Nonqualified deferred compensations assets	7,783	—	7,783	—
Derivative assets	51,529	—	51,529	—
Total	$2,234,027	$—	$2,162,098	$71,929
Derivative liabilities	$37,797	$—	$37,797	$—

	December 31, 2013			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$336,095	$—	$336,095	$—
U.S. Government agencies	895,688	—	895,688	—
Municipal	152,716	—	116,330	36,386
Corporate notes	135,038	—	135,038	—
Mortgage-backed	605,225	—	605,225	—
Equity securities	51,528	—	29,365	22,163
Trading account securities	497	—	497	—
Mortgage loans held-for-sale	332,485	—	332,485	—
Mortgage servicing rights	8,946	—	—	8,946
Nonqualified deferred compensations assets	7,222	—	7,222	—
Derivative assets	48,221	—	48,221	—
Total	$2,573,661	$—	$2,506,166	$67,495
Derivative liabilities	$37,264	$—	$37,264	$—

	March 31, 2013			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$217,645	$—	$217,645	$—
U.S. Government agencies	973,715	—	973,715	—
Municipal	110,259	—	77,935	32,324
Corporate notes	148,873	—	148,873	—
Mortgage-backed	368,282	—	368,282	—
Equity securities	52,057	—	27,587	24,470
Trading account securities	1,036	—	1,036	—
Mortgage loans held-for-sale	370,570	—	370,570	—
Mortgage servicing rights	7,344	—	—	7,344
Nonqualified deferred compensations assets	6,545	—	6,545	—

Derivative assets	52,436	—	52,436	—
Total	$2,308,762	$—	$2,244,624	$64,138
Derivative liabilities	$54,745	$—	$54,745	$—

Table of Contents

The aggregate remaining contractual principal balance outstanding as of March 31, 2014, December 31, 2013 and March 31, 2013 for mortgage loans held-for-sale measured at fair value under ASC 825 was $199.3 million, $314.9 million and $366.8 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $215.2 million, $332.5 million and $370.6 million, for the same respective periods, as shown in the above tables. There were no nonaccrual loans or loans past due greater than 90 days and still accruing in the mortgage loans held-for-sale portfolio measured at fair value as of March 31, 2014, December 31, 2013 and March 31, 2013.
The changes in Level 3 assets measured at fair value on a recurring basis during the three months ended March 31, 2014 and 2013 are summarized as follows:

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at January 1, 2014	$36,386	$22,163	$8,946
Total net gains (losses) included in:			
Net loss [1]	—	—	(227)
Other comprehensive income	147	1,275	—
Purchases	3,360	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(121)	—	—
Net transfers into/(out of) Level 3	—	—	—
Balance at March 31, 2014	$39,772	$23,438	$8,719

(1) Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.

(Dollars in thousands)	Municipal	Equity securities	Mortgage servicing rights
Balance at January 1, 2013	$30,770	$22,169	$6,750
Total net gains (losses) included in:			
Net income [1]	—	—	594
Other comprehensive (loss) income	(12)	2,301	—
Purchases	1,687	—	—
Issuances	—	—	—
Sales	—	—	—
Settlements	(121)	—	—
Net transfers into/(out of) Level 3	—	—	—
Balance at March 31, 2013	$32,324	$24,470	$7,344

(1) Changes in the balance of mortgage servicing rights are recorded as a component of mortgage banking revenue in non-interest income.

Also, the Company may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from impairment charges on individual assets. For assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at the end of the period, the following table provides the carrying value of the related individual assets or portfolios at March 31, 2014.

	March 31, 2014				Three Months Ended March 31, 2014
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	Fair Value Losses Recognized
Impaired loans—collateral based	$68,355	$—	$—	$68,355	$7,564
	129,279	—	—	129,279	6,172

Other real estate owned, including covered other real estate owned [1]					
Total	$197,634	$—	$—	$197,634	$13,736

(1) Fair value losses recognized on other real estate owned include valuation adjustments and charge-offs during the respective period.

40

Table of Contents

Impaired loans—A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due pursuant to the contractual terms of the loan agreement. A loan restructured in a troubled debt restructuring is an impaired loan according to applicable accounting guidance. Impairment is measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral. Impaired loans are considered a fair value measurement where an allowance is established based on the fair value of collateral. Appraised values, which may require adjustments to market-based valuation inputs, are generally used on real estate collateral-dependent impaired loans.

The Company's Managed Assets Division is primarily responsible for the valuation of Level 3 measurements of impaired loans. For more information on the Managed Assets Division review of impaired loans refer to Note 7 – Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans. At March 31, 2014, the Company had $143.0 million of impaired loans classified as Level 3. Of the $143.0 million of impaired loans, $68.4 million were measured at fair value based on the underlying collateral of the loan as shown in the table above. The remaining $74.6 million were valued based on discounted cash flows in accordance with ASC 310.

Other real estate owned (including covered other real estate owned)—Other real estate owned is comprised of real estate acquired in partial or full satisfaction of loans and is included in other assets. Other real estate owned is recorded at its estimated fair value less estimated selling costs at the date of transfer, with any excess of the related loan balance over the fair value less expected selling costs charged to the allowance for loan losses. Subsequent changes in value are reported as adjustments to the carrying amount and are recorded in other non-interest expense. Gains and losses upon sale, if any, are also charged to other non-interest expense. Fair value is generally based on third party appraisals and internal estimates and is therefore considered a Level 3 valuation.

The Company's Managed Assets and Purchased Assets Divisions are primarily responsible for the valuation of Level 3 measurements for non-covered other real estate owned and covered other real estate owned, respectively. At March 31, 2014, the Company had $129.3 million of other real estate owned classified as Level 3. The unobservable input applied to other real estate owned relates to the valuation adjustment determined by the Company's appraisals. The impairment adjustments applied to other real estate owned range from 0%-84% of the carrying value prior to impairment adjustments at March 31, 2014, with a weighted average input of 4.65%. An increased impairment adjustment applied to the carrying value results in a decreased valuation.

The valuation techniques and significant unobservable inputs used to measure both recurring and non-recurring Level 3 fair value measurements at March 31, 2014 were as follows:

(Dollars in thousands)	Fair Value	Valuation Methodology	Significant Unobservable Input	Range of Inputs	Weighted Average of Inputs	Impact to valuation from an increased or higher input value
Measured at fair value on a recurring basis:						
Municipal Securities	$39,772	Bond pricing	Equivalent rating	BBB-AA+	N/A	Increase
Other Equity Securities	23,438	Discounted cash flows	Discount rate	1.44%-2.33%	1.93%	Decrease
Mortgage Servicing Rights	8,719	Discounted cash flows	Discount rate	9.5%-13%	9.66%	Decrease
			Constant prepayment rate (CPR)	10%-15%	11.95%	Decrease

Measured at fair value on a non-recurring basis:						
Impaired loans—collateral based	$168,355	Appraisal value	N/A	N/A	N/A	N/A
Other real estate owned, including covered other real estate owned	129,279	Appraisal value	Property specific impairment adjustment	0%-84%	4.65%	Decrease

41

Table of Contents

The Company is required under applicable accounting guidance to report the fair value of all financial instruments on the consolidated statements of condition, including those financial instruments carried at cost. The carrying amounts and estimated fair values of the Company's financial instruments as of the dates shown:

	At March 31, 2014		At December 31, 2013		At March 31, 2013	
(Dollars in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:						
Cash and cash equivalents	$342,738	$342,738	$263,864	$263,864	$213,201	$213,201
Interest bearing deposits with banks	540,964	540,964	495,574	495,574	685,302	685,302
Available-for-sale securities	1,949,697	1,949,697	2,176,290	2,176,290	1,870,831	1,870,831
Trading account securities	1,068	1,068	497	497	1,036	1,036
Brokerage customer receivables	26,884	26,884	30,953	30,953	25,614	25,614
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	78,524	78,524	79,261	79,261	76,601	76,601
Mortgage loans held-for-sale, at fair value	215,231	215,231	332,485	332,485	370,570	370,570
Mortgage loans held-for-sale, at lower of cost or market	—	—	1,842	1,857	10,352	10,458
Total loans	13,445,638	14,078,788	13,243,033	13,867,255	12,418,973	13,125,643
Mortgage servicing rights	8,719	8,719	8,946	8,946	7,344	7,344
Nonqualified deferred compensation assets	7,783	7,783	7,222	7,222	6,545	6,545
Derivative assets	51,529	51,529	48,221	48,221	52,436	52,436
FDIC indemnification asset	60,298	60,298	85,672	85,672	170,696	170,696
Accrued interest receivable and other	169,580	169,580	163,732	163,732	156,825	156,825
Total financial assets	$16,898,653	$17,531,803	$16,937,592	$17,561,829	$16,066,326	$16,773,102
Financial Liabilities						
Non-maturity deposits	$10,944,521	$10,944,521	$10,442,077	$10,442,077	$9,293,104	$9,293,104
Deposits with stated maturities	4,184,524	4,197,918	4,226,712	4,242,172	4,669,653	4,701,049
Notes payable	182	182	364	364	31,911	31,911
Federal Home Loan Bank advances	387,672	393,145	417,762	422,750	414,032	425,103
Subordinated notes	—	—	—	—	15,000	15,000
Other borrowings	230,904	230,904	254,740	254,740	256,244	256,244
Junior subordinated debentures	249,493	250,578	249,493	250,672	249,493	250,470
Derivative liabilities	37,797	37,797	37,264	37,264	54,745	54,745
Accrued interest payable	7,218	7,218	8,556	8,556	11,520	11,520
Total financial liabilities	$16,042,311	$16,062,263	$15,636,968	$15,658,595	$14,995,702	$15,039,146

Not all the financial instruments listed in the table above are subject to the disclosure provisions of ASC Topic 820, as certain assets and liabilities result in their carrying value approximating fair value. These include cash and cash equivalents, interest bearing deposits with banks, brokerage customer receivables, FHLB and FRB stock, FDIC indemnification asset, accrued interest receivable and accrued interest payable, non-maturity deposits, notes payable, subordinated notes and other borrowings.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments that were not previously disclosed.

Mortgage loans held-for-sale, at lower of cost or market—Fair value is based on either quoted prices for the same or similar loans, or values obtained from third parties, or is estimated for portfolios of loans with similar financial characteristics and is therefore considered a Level 2 valuation.

Loans. Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real-estate, etc. Each category is further segmented by interest rate type (fixed and variable) and term. For variable-rate loans that reprice frequently, estimated fair values are based on carrying values. The fair value of residential loans is based on secondary market sources for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value for other fixed rate loans is estimated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect credit and interest rate risks inherent in the loan. The primary impact of credit risk on the present

value of the loan portfolio, however, was accommodated through the use of the allowance for loan losses, which is believed to represent the current fair value of probable incurred losses for purposes of the fair value calculation. In accordance with ASC 820, the Company has categorized loans as a Level 3 fair value measurement.

Deposits with stated maturities. The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently in effect for deposits of similar remaining maturities. In accordance with ASC 820, the Company has categorized deposits with stated maturities as a Level 3 fair value measurement.

Federal Home Loan Bank advances. The fair value of Federal Home Loan Bank advances is obtained from the Federal Home Loan Bank which uses a discounted cash flow analysis based on current market rates of similar maturity debt securities to discount cash flows. In accordance with ASC 820, the Company has categorized Federal Home Loan Bank advances as a Level 3 fair value measurement.

Junior subordinated debentures. The fair value of the junior subordinated debentures is based on the discounted value of contractual cash flows. In accordance with ASC 820, the Company has categorized junior subordinated debentures as a Level 3 fair value measurement.

(15) Stock-Based Compensation Plans

The 2007 Stock Incentive Plan (“the 2007 Plan”), which was approved by the Company's shareholders in January 2007, permits the grant of incentive stock options, nonqualified stock options, rights and restricted stock, as well as the conversion of outstanding options of acquired companies to Wintrust options. The 2007 Plan replaced the Wintrust Financial Corporation 1997 Stock Incentive Plan (“the 1997 Plan”) which had substantially similar terms. The 2007 Plan and the 1997 Plan are collectively referred to as “the Plans.” The Plans cover substantially all employees of Wintrust. The Compensation Committee of the Board of Directors administers all stock-based compensation programs and authorizes all awards granted pursuant to the Plans. The 2007 Plan initially provided for the issuance of up to 500,000 shares of common stock. In May 2009 and May 2011, the Company's shareholders approved an additional 325,000 shares and 2,860,000 shares, respectively, of common stock that may be offered under the 2007 Plan. All grants made after 2006 have been made pursuant to the 2007 Plan, and as of March 31, 2014, assuming all performance-based shares will be issued at the maximum levels, 361,834 shares were available for future grants.

The Company historically awarded stock-based compensation in the form of nonqualified stock options and time-vested restricted share awards (“restricted shares”). In general, the grants of options provide for the purchase shares of Wintrust's common stock at the fair market value of the stock on the date the options are granted. Options under the 2007 Plan generally vest ratably over periods of three to five years and have a maximum term of seven years from the date of grant. Stock options granted under the 1997 Plan provided for a maximum term of 10 years. Restricted shares entitle the holders to receive, at no cost, shares of the Company’s common stock. Restricted shares generally vest over periods of one to five years from the date of grant.

Beginning in 2011, the Company has awarded annual grants under The Long-Term Incentive Program (“LTIP”), which is administered under the 2007 Plan. The LTIP is designed in part to align the interests of management with the interests of shareholders, foster retention, create a long-term focus based on sustainable results and provide participants a target long-term incentive opportunity. It is anticipated that LTIP awards will continue to be granted annually. LTIP grants to date have consisted of time vested nonqualified stock options and performance-based stock and cash awards. Stock options granted under the LTIP have a term of seven years and will generally vest equally over three years based on continued service. Performance-based stock and cash awards granted under the LTIP are contingent upon the achievement of pre-established long-term performance goals set in advance by the Compensation Committee over a three-year period with overlapping performance periods starting at the beginning of each calendar year. These performance awards are granted at a target level, and based on the Company’s achievement of the pre-established long-term goals, the actual payouts can range from 0% to 200% of the target award. The awards vest in the quarter after the end of the performance period upon certification of the payout by the Compensation Committee of the Board of Directors. Holders of performance-based stock awards are entitled to shares of common

stock at no cost.

Holders of restricted share awards and performance-based stock awards received under the Plans are not entitled to vote or receive cash dividends (or cash payments equal to the cash dividends) on the underlying common shares until the awards are vested. Except in limited circumstances, these awards are canceled upon termination of employment without any payment of consideration by the Company.

Stock-based compensation is measured as the fair value of an award on the date of grant, and the measured cost is recognized over the period which the recipient is required to provide service in exchange for the award. The fair values of restricted share and performance-based stock awards are determined based on the average of the high and low trading prices on the grant date, and the fair value of stock options is estimated using a Black-Scholes option-pricing model that utilizes the assumptions outlined in the following table. Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the

Table of Contents

option's expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Expected life has been based on historical exercise and termination behavior as well as the term of the option, but the expected life of the options granted pursuant to the LTIP awards has been based on the safe harbor rule of the SEC Staff Accounting Bulletin No. 107 "Share-Based Payment" as the Company believes historical exercise data may not provide a reasonable basis to estimate the expected term of these options. Expected stock price volatility is based on historical volatility of the Company's common stock, which correlates with the expected life of the options, and the risk-free interest rate is based on comparable U.S. Treasury rates. Management reviews and adjusts the assumptions used to calculate the fair value of an option on a periodic basis to better reflect expected trends.

The following table presents the weighted average assumptions used to determine the fair value of options granted in the three month periods ending March 31, 2014 and 2013.

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Expected dividend yield	0.4 %	0.5 %
Expected volatility	30.8 %	59.7 %
Risk-free rate	0.7 %	0.7 %
Expected option life (in years)	4.5	4.5

Stock based compensation is recognized based upon the number of awards that are ultimately expected to vest. Forfeitures are estimated based on historical forfeiture experience. In addition, for performance-based awards, an estimate is made of the number of shares expected to vest as a result of projected performance against the performance criteria in the award to determine the amount of compensation expense to recognize. The estimate is reevaluated periodically and total compensation expense is adjusted for any change in estimate in the current period. Stock-based compensation expense recognized in the Consolidated Statements of Income was $3.8 million in the first quarter of 2014 and $2.3 million in the first quarter of 2013. The first quarter of 2014 includes a $2.1 million charge for a modification to the performance measurement criteria related to the 2011 LTIP performance-based stock grants that were vested and paid out in the first quarter of 2014. The cost of the modification was determined based on the stock price on the date of re-measurement and paid to the holders of the performance-based stock awards in cash. Similarly, in the first quarter of 2014, a modification was made to the performance measurement criteria related to the performance-based cash awards granted under the LTIP in 2011. These awards vested and were paid out in the first quarter of 2014 and the Company recognized an additional charge of $3.0 million related to the modification.

A summary of the Plans' stock option activity for the three months ended March 31, 2014 and March 31, 2013 is presented below:

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term [(1)]	Intrinsic Value [(2)] ($000)
Outstanding at January 1, 2014	1,524,672	$42.00		
Granted	358,440	46.86		
Exercised	(77,311)	34.79		
Forfeited or canceled	(18,898)	45.56		
Outstanding at March 31, 2014	1,786,903	$43.25	3.7	$12,834
Exercisable at March 31, 2014	1,166,309	$43.96	2.4	$8,655

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term [(1)]	Intrinsic Value [(2)] ($000)
Outstanding at January 1, 2013	1,745,427	$42.31		
Granted	219,695	37.85		
Exercised	(8,336)	24.98		
Forfeited or canceled	(6,330)	41.49		

Outstanding at March 31, 2013	1,950,456	$41.89	3.3	$3,975
Exercisable at March 31, 2013	1,437,240	$44.64	2.3	$2,318

(1) Represents the remaining weighted average contractual life in years.

(2) Aggregate intrinsic value represents the total pre-tax intrinsic value (i.e., the difference between the Company's stock price on the last trading day of the quarter and the option exercise price, multiplied by the number of shares) that would have been received by the option holders if they had exercised their options on the last day of the quarter. Options with exercise prices above the stock price on the last trading day of the quarter are excluded from the calculation of intrinsic value. The intrinsic value will change based on the fair market value of the Company's stock.

Table of Contents

The weighted average grant date fair value per share of options granted during the three months ended March 31, 2014 and March 31, 2013 was $11.96 and $17.59, respectively. The aggregate intrinsic value of options exercised during the three months ended March 31, 2014 and 2013, was $911,000 and $102,000, respectively.
A summary of the Plans' restricted share activity for the three months ended March 31, 2014 and March 31, 2013 is presented below:

Restricted Shares	Three months ended March 31, 2014		Three months ended March 31, 2013	
	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	181,522	$43.39	314,226	$37.99
Granted	2,775	46.86	—	—
Vested and issued	(24,900)	33.81	(109,725)	31.67
Forfeited	(451)	44.29	(674)	32.10
Outstanding at March 31	158,946	$44.95	203,827	$41.40
Vested, but not issuable at March 31	85,000	$51.88	85,000	$51.88

A summary of the 2007 Plan's performance-based stock award activity, based on the target level of the awards, for the three months ended March 31, 2014 and March 31, 2013 is presented below:

Performance-based Stock	Three months ended March 31, 2014		Three months ended March 31, 2013	
	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	307,512	$34.01	214,565	$32.08
Granted	91,501	46.86	102,160	37.84
Vested and issued	(15,944)	33.25	—	—
Forfeited	(81,551)	33.38	(2,359)	33.02
Outstanding at March 31	301,518	$38.12	314,366	$33.95

Based on the achievement of the pre-established performance goals over a three-year period, the actual performance-based award payouts can be adjusted downward to 0% or upward to a maximum of 200% of the target award. The awards vest in the quarter after the end of the performance period. In the first quarter of 2014, the 2011 grants vested and were paid.
The Company issues new shares to satisfy its obligation to issue shares granted pursuant to the Plans.

Table of Contents

(16) Shareholders’ Equity and Earnings Per Share
Tangible Equity Units
In December 2010, the Company sold 4.6 million 7.50% TEUs at a public offering price of $50.00 per unit. The Company received net proceeds of $222.7 million after deducting underwriting discounts and commissions and estimated offering expenses. Each tangible equity unit was composed of a prepaid common stock purchase contract and a junior subordinated amortizing note due December 15, 2013. The prepaid stock purchase contracts were recorded as surplus (a component of shareholders’ equity), net of issuance costs, and the junior subordinated amortizing notes were recorded as debt within other borrowings. Issuance costs associated with the debt component were recorded as a discount within other borrowings and were amortized over the term of the instrument to December 15, 2013 at which time they were paid in full. The Company allocated the proceeds from the issuance of the TEU to equity and debt based on the relative fair values of the respective components of each unit.
The aggregate fair values assigned to each component of the TEU offering at the issuance date were as follows:

(Dollars in thousands, except per unit amounts)	Equity Component	Debt Component	TEU Total
Units issued [(1)]	4,600	4,600	4,600
Unit price	$40.271818	$9.728182	$50.00
Gross proceeds	185,250	44,750	230,000
Issuance costs, including discount	5,934	1,419	7,353
Net proceeds	$179,316	$43,331	$222,647
Balance sheet impact			
Other borrowings	—	43,331	43,331
Surplus	179,316	—	179,316

(1) TEUs consisted of two components: one unit of the equity component and one unit of the debt component.
The fair value of the debt component was determined using a discounted cash flow model using the following assumptions: (1) quarterly cash payments of 7.5%; (2) a maturity date of December 15, 2013; and (3) an assumed discount rate of 9.5%. The discount rate used for estimating the fair value was determined by obtaining yields for comparably-rated issuers trading in the market. The debt component was recorded at fair value, and the discount was amortized using the level yield method over the term of the instrument to the settlement date of December 15, 2013.
The fair value of the equity component was determined using Black-Scholes valuation models applied to the range of stock prices contemplated by the terms of the TEU and used the following assumptions: (1) risk-free interest rate of 0.95%; (2) expected stock price volatility in the range of 35%-45%; (3) dividend yield plus stock borrow cost of 0.85%; and (4) term of 3.02 years.
Each junior subordinated amortizing note, which had an initial principal amount of $9.728182, had a stated interest rate of 9.50% per annum, and had a scheduled final installment payment date of December 15, 2013. On each March 15, June 15, September 15 and December 15, the Company paid equal quarterly installments of $0.9375 on each amortizing note. The quarterly installment payable at March 15, 2011, however, was $0.989583. Each payment constituted a payment of interest and a partial repayment of principal. The issuance costs were amortized to interest expense using the effective-interest method.

Each prepaid common stock purchase contract automatically settled on December 15, 2013 and the Company delivered 1.3333 shares of its common stock based on the applicable market value (the average of the volume weighted average price of Company common stock for the twenty (20) consecutive trading days ending on the third trading day immediately preceding December 15, 2013). Upon settlement, an amount equal to $1.00 per common share issued was reclassified from surplus to common stock.
Series A Preferred Stock

In August 2008, the Company issued and sold 50,000 shares of non-cumulative perpetual convertible preferred stock, Series A, liquidation preference $1,000 per share (the “Series A Preferred Stock”) for $50 million in a private transaction. Dividends on the Series A Preferred Stock were paid quarterly in arrears at a rate of 8.00% per annum. The Series A Preferred Stock was convertible into common stock at the option of the holder at a conversion rate of 38.88 shares of common stock per share of Series A Preferred Stock. On July 19, 2013, pursuant to such terms, the holder of the Series A Preferred Stock elected to convert all 50,000 shares of the Series A Preferred Stock into 1,944,000 shares of the Company's common stock, no par value.

Table of Contents

Series C Preferred Stock
In March 2012, the Company issued and sold 126,500 shares of non-cumulative perpetual convertible preferred stock, Series C, liquidation preference $1,000 per share (the "Series C Preferred Stock") for $126.5 million in an equity offering. If declared, dividends on the Series C Preferred Stock are payable quarterly in arrears at a rate of 5.00% per annum. The Series C Preferred Stock is convertible into common stock at the option of the holder at a conversion rate of 24.3132 shares of common stock per share of Series C Preferred Stock. In the fourth quarter of 2013, 23 shares of the Series C Preferred Stock were converted at the option of the respective holders into 558 shares of the Company's common stock. On and after April 15, 2017, the Company will have the right under certain circumstances to cause the Series C Preferred Stock to be converted into common stock if the closing price of the Company's common stock exceeds a certain amount.
Common Stock Warrant
Pursuant to the U.S. Department of the Treasury's (the "U.S. Treasury") Capital Purchase Program, on December 19, 2008, the Company issued to the U.S. Treasury a warrant to purchase 1,643,295 shares of Wintrust common stock at a per share exercise price of $22.82 and with a term of 10 years. In February 2011, the U.S. Treasury sold all of its interest in the warrant issued to it in a secondary underwritten public offering. At March 31, 2014, the warrant to purchase 1,643,295 shares remains outstanding.
The Company previously issued other warrants to acquire common stock. These warrants entitled the holders to purchase one share of the Company's common stock at a purchase price of $30.50 per share. Of the 19,000 warrants previously outstanding, 18,000 were exercised in March 2012 and 1,000 were exercised in February 2013. As a result, none of these warrants were outstanding at March 31, 2014.
Other
In May 2013, the Company issued 648,286 shares of its common stock in the acquisition of FLB.
At the January 2014 Board of Directors meeting, a quarterly cash dividend of $0.10 per share ($0.40 on an annualized basis) was declared. It was paid on February 20, 2014 to shareholders of record as of February 6, 2014.

Accumulated Other Comprehensive Income (Loss)

The following tables summarize the components of other comprehensive income (loss), including the related income tax effects, and the related amount reclassified to net income for the periods presented (in thousands).

	Accumulated Unrealized (Losses) Gains on Securities	Accumulated Unrealized Losses on Derivative Instruments	Accumulated Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2014	$(53,665)	$(2,462)	$(6,909)	$ (63,036)
Other comprehensive income (loss) during the period, net of tax, before reclassifications	13,722	(356)	(7,400)	5,966
Amount reclassified from accumulated other comprehensive income (loss), net of tax	20	297	—	317
Net other comprehensive income (loss) during the period, net of tax	$13,742	$(59)	$(7,400)	$ 6,283
Balance at March 31, 2014	$(39,923)	$(2,521)	$(14,309)	$ (56,753)
Balance at January 1, 2013	$6,710	$(5,292)	$6,293	$ 7,711
Other comprehensive income (loss) during the period, net of tax, before reclassifications	(4,649)	(39)	(4,866)	(9,554)
	(151)	927	—	776

Amount reclassified from accumulated other comprehensive income (loss), net of tax				
Net other comprehensive income (loss) during the period, net of tax	$(4,800)	$888	$(4,866)	$ (8,778)
Balance at March 31, 2013	$1,910	$(4,404)	$1,427	$ (1,067)

47

Details Regarding the Component of Accumulated Other Comprehensive Income	Amount Reclassified from Accumulated Other Comprehensive Income for the Three Months Ended March 31, 2014	2013	Impacted Line on the Consolidated Statements of Income
Accumulated unrealized losses on securities			
Gains included in net income	$(33)	$251	(Losses) gains on available-for-sale securities, net
	(33)	251	Income before taxes
Tax effect	$13	$(100)	Income tax expense
Net of tax	$(20)	$151	Net income
Accumulated unrealized losses on derivative instruments			
Amount reclassified to interest expense on junior subordinated debentures	$493	$1,539	Interest on junior subordinated debentures
	(493)	(1,539)	Loss before taxes
Tax effect	$196	$612	Income tax benefit
Net of tax	$(297)	$(927)	Net loss

Earnings per Share

The following table shows the computation of basic and diluted earnings per share for the periods indicated:

(In thousands, except per share data)		Three Months Ended March 31, 2014	2013
Net income		$34,500	$32,052
Less: Preferred stock dividends and discount accretion		1,581	2,616
Net income applicable to common shares—Basic	(A)	32,919	29,436
Add: Dividends on convertible preferred stock, if dilutive		1,581	2,581
Net income applicable to common shares—Diluted	(B)	34,500	32,017
Weighted average common shares outstanding	(C)	46,195	36,976
Effect of dilutive potential common shares			
Common stock equivalents		1,434	7,443
Convertible preferred stock, if dilutive		3,075	5,020
Total dilutive potential common shares		4,509	12,463
Weighted average common shares and effect of dilutive potential common shares	(D)	50,704	49,439
Net income per common share:			
Basic	(A/C)	$0.71	$0.80
Diluted	(B/D)	$0.68	$0.65

Potentially dilutive common shares can result from stock options, restricted stock unit awards, stock warrants, the Company’s convertible preferred stock, tangible equity unit shares and shares to be issued under the Employee Stock Purchase Plan and the Directors Deferred Fee and Stock Plan, being treated as if they had been either exercised or issued, computed by application of the treasury stock method. While potentially dilutive common shares are typically included in the computation of diluted earnings per share, potentially dilutive common shares are excluded from this computation in periods in which the effect would reduce the loss per share or increase the income per share. For diluted earnings per share, net income applicable to common shares can be affected by the conversion of the Company’s convertible preferred stock. Where the effect of this conversion would reduce the loss per share or increase

the income per share, net income applicable to common shares is not adjusted by the associated preferred dividends.

Table of Contents

(17) Subsequent Events

On April 28, 2014, the Company announced the acquisition, through its wholly-owned subsidiary, First Insurance Funding of Canada, Inc., 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.

On April 8, 2014, the Company announced the signing of a definitive agreement to acquire, through its wholly-owned subsidiary Town Bank, certain branch offices and deposits of Talmer Bank & Trust. Through this transaction, subject to final adjustments, Town Bank will acquire 11 branch offices and deposits of approximately $360 million.

On April 7, 2014, the Company announced the signing of a definitive agreement to acquire, through its wholly-owned subsidiary Town Bank, the Pewaukee, Wisconsin branch of THE National Bank. Through this transaction, subject to final adjustments, Town Bank will acquire approximately $40 million of deposits, approximately $90 million of performing loans, the bank facility, property and various other assets.

Table of Contents

ITEM 2
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition as of March 31, 2014 compared with December 31, 2013 and March 31, 2013, and the results of operations for the three month periods ended March 31, 2014 and 2013, should be read in conjunction with the unaudited consolidated financial statements and notes contained in this report and the risk factors discussed herein and under Item 1A of the Company's 2013 Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management's current expectations. See the last section of this discussion for further information on forward-looking statements.

Introduction

Wintrust is a financial holding company that provides traditional community banking services, primarily in the Chicago metropolitan area and southeastern Wisconsin, and operates other financing businesses on a national basis and Canada through several non-bank subsidiaries. Additionally, Wintrust offers a full array of wealth management services primarily to customers in the Chicago metropolitan area and southeastern Wisconsin.

Overview

First Quarter Highlights

The Company recorded net income of $34.5 million for the first quarter of 2014 compared to $32.1 million in the first quarter of 2013. The results for the first quarter of 2014 demonstrate continued operating strengths as net income increased, net interest margin increased, credit quality measures improved, loans outstanding increased and our deposit funding base mix continued its beneficial shift toward an aggregate lower cost of funds. In the first quarter of 2014, the Company acquired a bank branch and opened two bank facilities. The Company also recently announced the acquisition of bank branches in Illinois and Wisconsin. For more information, see "Overview—Recent Acquisition Transactions" and "Overview—Announced Acquisitions."

The Company increased its loan portfolio, excluding covered loans and mortgage loans held for sale, from $11.9 billion at March 31, 2013 and $12.9 billion at December 31, 2013 to $13.1 billion at March 31, 2014. The increase in the current quarter compared to the prior quarters was primarily a result of the Company's commercial banking initiative and growth in the commercial insurance premium finance receivables portfolio. 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 "Financial Condition – Interest Earning Assets" and Note 6 "Loans" of the Financial Statements presented under Item 1 of this report.

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during the first quarter of 2014, 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 continues to benefit from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources. At March 31, 2014, the Company had approximately $883.7 million in overnight liquid funds and interest-bearing deposits with banks.

The Company recorded net interest income of $144.0 million in the first quarter of 2014 compared to $130.7 million in the first quarter of 2013. The higher level of net interest income recorded in the first quarter of 2014 compared to the first quarter of 2013 resulted primarily from a $669.3 million increase in the balance of total average earning assets, a 7 basis point improvement in the yield on earnings assets and a 14 basis point decline in the rate paid on average interest bearing liabilities as a result of the positive re-pricing of retail interest-bearing deposits along with a more favorable funding mix. These improvements were partially offset by a $165.0 million increase in interest bearing liabilities. Combined, the increase in interest income of $9.0 million and the reduction of interest expense of $4.3 million created an increase in total net interest income of $13.3 million in the first quarter of 2014 compared to the first quarter of 2013.

Non-interest income totaled $45.5 million in the first quarter of 2014 a decrease of $11.9 million, or 21%, compared to the first quarter of 2013. The decrease in the first quarter of 2014 compared to the first quarter of 2013 was primarily attributable to a decrease in mortgage banking revenues and fewer interest rate swap fees, partially offset by

higher wealth management revenues. Mortgage banking revenue decreased $13.7 million when compared to the first quarter of 2013. The decrease in mortgage banking revenue in the current quarter as compared to the first quarter of 2013 resulted primarily from decreased originations due to a general downturn in the mortgage banking business and a more favorable refinance market in the first quarter of 2013. Loans sold to the secondary market were $527.3 million in the first quarter of 2014 compared to $974.4 million in the first quarter of 2013 (see “-Non-Interest Income” for further detail).

Non-interest expense totaled $131.3 million in the first quarter of 2014, increasing $11.2 million, or 9%, compared to the first quarter of 2013. The increase compared to the first quarter of 2013 was primarily attributable to higher OREO costs along with increases to salary, occupancy and equipment expenses (see “-Non-Interest Expense” for further detail).

The Current Economic Environment

The economic environment in the first quarter of 2014 was characterized by continued low interest rates and renewed competition as banks have experienced improvements in their financial condition allowing them to be more active in the lending market. While management believes interest rates will rebound over time, 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. Non-interest bearing deposits as a percentage of total deposits was 18% as of March 31, 2014 as compared to 16% as of March 31, 2013. In the current quarter, the Company was able to increase its net interest margin primarily due to higher yields on investment securities and reduced rates on interest-bearing deposits. As a result of the growth in earnings assets, improvement in funding mix and increased net interest margin, the Company increased net interest income by $13.3 million in the first quarter of 2014 compared to the first quarter of 2013.

The Company has continued its practice of writing call options against certain U.S. Treasury and Agency securities to economically hedge the security positions and receive fee income to compensate for net interest margin compression. In the first quarter of 2014, the Company recognized $1.5 million in fees on covered call options. In accordance with accounting guidance, these fees are not recorded as a component of net interest income, however the fee contribution is considered by the Company to be an additional return on the investment portfolio.

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 derivative 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 March 31, 2014, the Company held six interest rate cap derivatives with a total notional value of $620.0 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 cap values are recorded in earnings. In the first quarter of 2014, volatility in interest rates resulted in decreased cap valuations as compared to the prior quarter. The Company recognized $334,000 in trading losses in the first quarter of 2014 related to the mark to market of these interest rate caps. For more information, see Note 13 "Derivatives" of the Financial Statements presented under Item 1 of this report.

The current interest rate environment impacts the profitability and mix of the Company's mortgage banking business which generated revenues of $16.4 million in the first quarter of 2014 and $30.1 million in the first quarter of 2013, representing 9% and 16%, respectively, of each quarter's total net revenue. The Company's mortgage banking business was negatively impacted in the current quarter by a general downturn in the mortgage banking industry coupled with a prolonged winter season across the nation. Mortgage banking revenue is comprised of gains on originations for new home purchases as well as mortgage refinancing. Mortgage banking revenue is partially offset by corresponding commission and overhead costs. In the first quarter of 2014, approximately 68% of originations were mortgages associated with new home purchases while 32% of originations were related to refinancing of mortgages. As the housing market improves 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 will leverage the Company's existing expense infrastructure to expand its presence in existing and complimentary markets. Management believes that its recent acquisitions have provided operating capacity for balance sheet growth without a commensurate increase in operating expenses which should provide improvement in its overhead ratio, holding all else equal.

Table of Contents

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 improved in the first quarter of 2014 compared to December 31, 2013 and March 31, 2013. The Company continues to 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:

- The Company's provision for credit losses, excluding covered loans, in the first quarter of 2014 totaled $3.3 million, a decrease of $12.1 million when compared to the first quarter of 2013. Net charge-offs decreased to $7.8 million in the first quarter of 2014 (of which $4.3 million related to commercial real-estate loans) compared to $11.9 million for the same period in 2013 (of which $4.2 million and $2.9 million related to commercial and commercial real-estate loans, respectively).

- The Company's allowance for loan losses, excluding covered loans, totaled $92.3 million at March 31, 2014, reflecting a decrease of $18.1 million, or 16%, when compared to the same period in 2013 and a decrease of $4.6 million, or 5%, when compared to December 31, 2013. At March 31, 2014, approximately $44.6 million, or 48%, of the allowance for loan losses, excluding covered loans, was associated with commercial real-estate loans and another $24.7 million, or 27%, was associated with commercial loans.

- The Company has significant exposure to commercial real-estate. At March 31, 2014, $4.3 billion, or 32%, of our loan portfolio, excluding covered loans, was commercial real-estate, with approximately 94% located in the greater Chicago metropolitan and southeastern Wisconsin market areas. As of March 31, 2014, the commercial real-estate loan portfolio was comprised of $296.0 million related to land, residential and commercial construction, $651.2 million related to office buildings, $677.4 million related to retail, $625.1 million related to industrial use, $575.8 million related to multi-family and $1.4 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 changes 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 March 31, 2014, the Company had approximately $33.7 million of non-performing commercial real-estate loans representing approximately 0.8% 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, was $90.1 million (of which $33.7 million, or 37%, was related to commercial real-estate) at March 31, 2014, a decrease of approximately $13.2 million and $38.5 million compared to December 31, 2013 and March 31, 2013, respectively. Non-performing loans decreased due to both a decline in the volume of new non-performing loans as well as the continued reduction in existing non-performing loans through the efforts of our credit workout teams.

- The Company's other real estate owned, excluding covered other real estate owned, increased to $54.1 million during the first quarter of 2014, compared to $50.5 million at December 31, 2013 as a result of new properties transferred into OREO in the current period. Other real estate owned, excluding covered other real estate owned, decreased as of March 31, 2014 compared to $56.2 million at March 31, 2013 primarily due to disposals in recent quarters. The $54.1

million of other real estate owned as of March 31, 2014 was comprised of $3.5 million of residential real-estate development property, $44.1 million of commercial real-estate property and $6.5 million of residential real-estate property.

During the quarter, Management continued its strategic efforts to resolve problem loans through liquidation rather than retention of loans or real estate acquired as collateral through the foreclosure process. For more information regarding these efforts, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation—Overview and Strategy" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013. The level of loans past due 30 days

or more and still accruing interest, excluding covered loans, totaled $159.6 million as of March 31, 2014, increasing $18.9 million compared to the balance of $140.7 million as of December 31, 2013 and increasing $6.9 million compared to the balance of $152.7 million as of March 31, 2013. Fluctuations from period to period in loans that are past due 30 days or more and still accruing interest are primarily the result of timing of payments for loans with near term delinquencies (i.e. 30-89 days past-due).

In addition, during the first quarter of 2014, the Company modified $5.2 million of loans in troubled debt restructurings, by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At March 31, 2014, approximately $92.5 million in loans had terms modified in TDRs, with $74.6 million of these TDRs in accruing status.

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements provide recourse to investors through certain representations concerning credit information, loan documentation, collateral and insurability. At March 31, 2014, the Company had a $2.6 million estimated liability on loans expected to be repurchased from loans sold to investors compared to a $3.8 million liability and a $3.5 million liability for similar items as of December 31, 2013 and March 31, 2013, respectively. The decrease in the current quarter is primarily the result of lower than expected losses on loans previously sold. For more information regarding requests for indemnification on loans sold, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation—Overview and Strategy” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Trends in Our Three Operating Segments During the First Quarter

Community Banking

Net interest income. Net interest income for the community banking segment totaled $116.8 million for the first quarter of 2014 compared to $115.4 million for the fourth quarter of 2013 and $106.2 million for the first quarter of 2013. The increase in net interest income in the first quarter of 2014 compared to the fourth quarter of 2013 is primarily attributable to growth in earning assets and a six basis point increase in the yield on earnings assets, partially offset by two fewer days in the current quarter. The increase in net interest income in the current quarter compared to the first quarter of 2013 is attributable to growth in earnings assets, improvement in funding mix and increased net interest margin.

Funding mix and related costs. Community banking profitability has been bolstered in recent quarters as the Company funded strong loan growth with a more desirable funding blend. Additionally, non-interest bearing deposits have grown as a result of the Company’s commercial banking initiative and fixed term certificates of deposit have been running off and renewing at lower rates.

Level of non-performing loans and other real estate owned. The Company's credit quality measures have improved significantly over the past two quarters. Non-performing loans declined in the current quarter as compared to the fourth quarter of 2013 and the first quarter of 2013. The Company remains committed to the timely resolution of non-performing loans. However, other real estate owned increased in the current quarter as compared to the fourth quarter of 2013 as a result of new properties transfered into OREO in the current period.

Mortgage banking revenue. Mortgage banking revenue decreased $2.9 million when compared to the fourth quarter of 2013 and decreased $13.7 million when compared to the first quarter of 2013. The decrease in the current quarter as compared to the fourth quarter of 2013 and the first quarter of 2013 resulted primarily from lower origination volumes as a result of a general downturn in the mortgage banking business coupled with a prolonged winter season across the nation in the current quarter.

For more information regarding our community banking business, please see “Overview and Strategy—Community Banking” under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Specialty Finance

Financing of Commercial Insurance Premiums. First Insurance Funding Corporation ("FIFC") and First Insurance Funding of Canada, Inc. ("FIFC Canada") originated approximately $1.4 billion of commercial insurance premium finance loans in the first quarter of 2014, up from $1.3 billion of commercial insurance premium finance loan originated in the fourth quarter of 2013 and up from originations of $1.2 billion in the first quarter of 2013.

Financing of Life Insurance Premiums. FIFC originated approximately $113.6 million in life insurance premium finance loans in the first quarter of 2014 compared to $162.9 million in the fourth quarter of 2013, and compared to $85.7 million in the first quarter of 2013. The decrease in originations in the first quarter of 2014 from the fourth quarter of 2013 can be attributed to seasonal shifts in the demand for life insurance financing. The increase in originations in the first quarter of 2014 compared to the first quarter of 2013 was a result of increased contract originations for both new business and renewal business.

For more information regarding our specialty finance business, please see “Overview and Strategy—Specialty Finance” under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Wealth Management Activities

The wealth management segment recorded higher non-interest income in the first quarter of 2014 compared to the fourth quarter of 2013 and the first quarter of 2013 mostly attributable to growth in assets under management due to new customers, as well as market appreciation.

For more information regarding our wealth management business, please see “Overview and Strategy—Wealth Management Activities” under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

Recent Acquisition Transactions

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.

Acquisition of Diamond Bancorp, Inc.

On October 18, 2013, the Company completed its acquisition of Diamond Bancorp, Inc. ("Diamond"). Diamond was the parent company of Diamond Bank, FSB ("Diamond Bank"), which operated four banking locations in Chicago, Schaumburg, Elmhurst, and Northbrook, Illinois. As part of the transaction, Diamond Bank was merged into the Company's wholly-owned subsidiary bank, North Shore Community Bank. Diamond Bank had approximately $169 million in assets and $140 million in deposits as of the acquisition date, prior to purchase accounting adjustments. The Company recorded goodwill of $8.4 million on the acquisition.

Acquisition of certain assets and liabilities of Surety Financial Services

On October 1, 2013, the Company announced that its subsidiary, Barrington Bank through its division Wintrust Mortgage, acquired certain assets and assumed certain liabilities of the mortgage banking business of Surety Financial Services ("Surety") of Sherman Oaks, California. Surety had five offices located in southern California which originated approximately $1.0 billion in the twelve months prior to the acquisition date.

Acquisition of First Lansing Bancorp, Inc.

On May 1, 2013, the Company completed its acquisition of First Lansing Bancorp, Inc. ("FLB"). FLB was the parent company of First National Bank of Illinois, which operated seven banking locations in the south and southwest suburbs of Chicago, Illinois as well as one location in northwest Indiana. As part of this transaction, FNBI was merged into Old Plank Trail Bank. FLB had approximately $372 million in assets and $330 million in deposits as of the acquisition date, prior to purchase accounting adjustments. The Company recorded goodwill of $14.0 million on the acquisition.

Announced Acquisitions

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

On April 28, 2014, the Company announced the acquisition, through its wholly-owned subsidiary, FIFC Canada, 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 certain bank facilities and deposits of Talmer Bank & Trust

On April 8, 2014, the Company announced the signing of a definitive agreement to acquire, through its wholly-owned subsidiary Town Bank, certain branch offices and deposits of Talmer Bank & Trust. Through this transaction, subject to final adjustments, Town Bank will acquire 11 branch offices and deposits of approximately $360 million.

Acquisition of a bank facility and certain assets and liabilities of THE National Bank

On April 7, 2014, the Company announced the signing of a definitive agreement to acquire, through its wholly-owned subsidiary Town Bank, the Pewaukee, Wisconsin branch of THE National Bank. Through this transaction, subject to final adjustments, Town Bank will acquire approximately $40 million of deposits, approximately $90 million of performing loans, the bank facility, property and various other assets.

54

Table of Contents

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

On February 12, 2014, the Company signed a definitive agreement to acquire, through its wholly-owned subsidiary Hinsdale Bank, the Stone Park branch office and certain related deposits of Urban Partnership Bank.

Divestiture of Previous FDIC-Assisted Acquisition

On February 1, 2013, Hinsdale Bank and Trust Company completed the sale of the deposits and the current banking operations of Second Federal Savings and Loan Association of Chicago, which were acquired in an FDIC-assisted transaction on July 20, 2012, to an unaffiliated credit union.

Other Completed Transactions

Tangible Equity Units

In December 2010, the Company sold 4.6 million 7.50% tangible equity units at a public offering price of $50.00 per unit. Each tangible equity unit was comprised of a prepaid common stock purchase contract and a junior subordinated amortizing note due December 15, 2013. In December 2013, the Company settled the prepaid common stock purchase contract by delivering approximately 6.1 million shares of the Company’s common stock to the holders of the purchase contract. No separate consideration was paid to the Company for the issuance of the shares of the Company's common stock. The Company also made the final payment on the junior subordinated amortizing note.

Conversion of Preferred Stock

On August 26, 2008, the Company sold 50,000 shares of its Series A Preferred Stock. The terms of the Series A Preferred Stock provided that holders of the Series A Preferred Stock could convert their shares into common stock at any time. On July 19, 2013, pursuant to such terms, the holder of the Company's Series A Preferred Stock elected to convert all 50,000 shares of the Series A Preferred Stock issued and outstanding into 1,944,000 shares of the Company's common stock, no par value, at a conversion rate of 38.88 shares of common stock per share of Series A Preferred Stock. No separate consideration was paid to the Company for the issuance of the shares of the Company’s common stock.

Table of Contents

RESULTS OF OPERATIONS

Earnings Summary

The Company's key operating measures for the three months ended March 31, 2014, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	Three months ended March 31, 2014	Three months ended March 31, 2013	Percentage (%) or Basis Point (bp)Change
Net income	$34,500	$32,052	8 %
Net income per common share—Diluted	0.68	0.65	5
Net revenue (1)	189,535	188,092	1
Net interest income	144,006	130,713	10
Net interest margin (2)	3.61 %	3.41 %	20 bp
Net overhead ratio (2) (3)	1.93	1.47	46
Efficiency ratio (2) (4)	69.02	63.78	524
Return on average assets	0.78	0.75	3
Return on average common equity	7.43	7.27	16
Return on average tangible common equity	9.71	9.57	14
At end of period			
Total assets	$18,221,163	$17,074,247	7 %
Total loans, excluding loans held-for-sale, excluding covered loans	13,133,160	11,900,312	10
Total loans, including loans held-for-sale, excluding covered loans	13,348,391	12,281,234	9
Total deposits	15,129,045	13,962,757	8
Total shareholders' equity	1,940,143	1,825,688	6
Tangible common equity ratio (TCE) (2)	8.0 %	7.7 %	30 bp
Tangible common equity ratio, assuming full conversion of preferred stock (2)	8.7	8.8	(10)
Book value per common share (2)	$39.21	$38.13	3 %
Tangible common book value per share (2)	30.74	29.74	3
Market price per common share	48.66	37.04	31
Excluding covered loans:			
Allowance for credit losses to total loans (5)	0.71 %	1.06 %	(35) bp
Non-performing loans to total loans	0.69	1.08	(39)

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

(2) See following section titled, "Supplementary 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.

Certain returns, yields, performance ratios, and quarterly growth rates are "annualized" in this presentation and throughout this report to represent an annual time period. This is done for analytical purposes to better discern for decision-making purposes underlying performance trends when compared to full-year or year-over-year amounts. For example, balance sheet growth rates are most often expressed in terms of an annual rate. As such, 5% growth during a

quarter would represent an annualized growth rate of 20%.

Table of Contents

Supplemental 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. 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.

Table of Contents

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 is shown below:

	Three months ended March 31,			
(Dollars and shares in thousands)	2014		2013	
Calculation of Net Interest Margin and Efficiency Ratio				
(A) Interest Income (GAAP)	$161,326		$152,313	
Taxable-equivalent adjustment:				
—Loans	231		150	
—Liquidity management assets	455		343	
—Other earning assets	4		1	
Interest Income—FTE	$162,016		$152,807	
(B) Interest Expense (GAAP)	17,320		21,600	
Net interest income—FTE	144,696		131,207	
(C) Net Interest Income (GAAP) (A minus B)	$144,006		$130,713	
(D) Net interest margin (GAAP)	3.59	%	3.40	%
Net interest margin—FTE	3.61	%	3.41	%
(E) Efficiency ratio (GAAP)	69.27	%	63.95	%
Efficiency ratio—FTE	69.02	%	63.78	%
(F) Net Overhead ratio (GAAP)	1.93	%	1.47	%
Calculation of Tangible Common Equity ratio (at period end)				
Total shareholders' equity	$1,940,143		$1,825,688	
(G) Less: Preferred stock	(126,477	)	(176,441	)
Less: Intangible assets	(391,775	)	(363,142	)
(H) Total tangible common shareholders' equity	$1,421,891		$1,286,105	
Total assets	$18,221,163		$17,074,247	
Less: Intangible assets	(391,775	)	(363,142	)
(I) Total tangible assets	$17,829,388		$16,711,105	
Tangible common equity ratio (H/I)	8.0	%	7.7	%
Tangible common equity ratio, assuming full conversion of preferred stock ((H-G)/I)	8.7	%	8.8	%
Calculation of book value per share				
Total shareholders' equity	$1,940,143		$1,825,688	
Less: Preferred stock	(126,477	)	(176,441	)
(J) Total common equity	$1,813,666		$1,649,247	
Actual common shares outstanding	46,259		37,014	
Add: TEU conversion shares	—		6,238	
(K) Common shares used for book value calculation	46,259		43,252	
Book value per share (J/K)	$39.21		$38.13	
Tangible common book value per share (H/K)	$30.74		$29.74	
Calculation of return on average common equity				
(L) Net income applicable to common shares	$32,919		$29,436	
Add: After-tax intangible asset amortization	712		685	
(M) Tangible net income applicable to common shares	33,631		30,121	
Total average shareholders' equity	1,923,649		1,818,127	
Less: Average preferred stock	(126,477	)	(176,422	)
(N) Total average common shareholders' equity	1,797,172		1,641,705	
Less: Average intangible assets	(392,703	)	(365,505	)
(O) Total average tangible common shareholders' equity	1,404,469			