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

FORM 10-K

☑ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2021

☐ **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 or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

9700 W. Higgins Road, Suite 800
Rosemont, Illinois 60018
(Address of principal executive offices)

Registrant's telephone number, including area code: **(847) 939-9000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, no par value	**WTFC**	**The NASDAQ Global Select Market**
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series D, no par value	**WTFCM**	**The NASDAQ Global Select Market**
Depositary Shares, Each Representing a 1/1,000th Interest in a Share of 6.875% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series E, no par value	**WTFCP**	**The NASDAQ Global Select Market**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. þ Yes ¨ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ¨ Yes þ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted 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 such files). þ Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐	Non-Accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal controls over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. þ Yes ¨ No

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant on June 30, 2021 (the last business day of the registrant's most recently completed second quarter), determined using the closing price of the common stock on that day of $75.63, as reported by the NASDAQ Global Select Market, was $4,278,341,370.

As of February 22, 2022, the registrant had 57,237,575 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Company’s Annual Meeting of Shareholders to be held on May 26, 2022 are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Overview

Wintrust Financial Corporation, an Illinois corporation (“we,” “Wintrust” or “the Company”), which was incorporated in 1992, is a financial holding company based in Rosemont, Illinois, with total assets of approximately $50.1 billion as of December 31, 2021. We provide community-oriented, personal and commercial banking services to customers located in the Chicago metropolitan area, southern Wisconsin and northwest Indiana (“our market area”) through our fifteen wholly-owned-banking subsidiaries (collectively, the “banks”), as well as the origination and purchase of residential mortgages for sale into the secondary market through Wintrust Mortgage, a division of Barrington Bank & Trust Company, N.A. (“Barrington Bank”). In addition, we provide specialty finance services, including financing for the payment of property and casualty insurance premiums and life insurance premiums (“premium finance receivables”) on a national basis through FIRST Insurance Funding, a division of our wholly-owned subsidiary Lake Forest Bank & Trust Company, N.A. (“Lake Forest Bank”), and Wintrust Life Finance, a division of Lake Forest Bank, and in Canada through our premium finance company, First Insurance Funding of Canada (“FIFC Canada”), lease financing and other direct leasing opportunities through our wholly-owned subsidiary, Wintrust Asset Finance, Inc. (“Wintrust Asset Finance”), and short-term accounts receivable financing and outsourced administrative services through our wholly-owned subsidiary, Tricom, Inc. of Milwaukee (“Tricom”). Further, we provide a full range of wealth management services primarily to customers in our market area through four separate subsidiaries, The Chicago Trust Company, N.A. (“CTC”), Wintrust Investments, LLC (“Wintrust Investments”), Great Lakes Advisors, LLC (“Great Lakes Advisors”) and Chicago Deferred Exchange Company, LLC (“CDEC”).

Our Business and Reporting Segments

As set forth in Note 24, “Segment Information,” our 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. All segment measurements discussed below are based on the reportable segments and do not reflect intersegment eliminations.

Community Banking

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

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

As of December 31, 2021, we owned fifteen nationally chartered banks: Lake Forest Bank, Barrington Bank, Wintrust Bank, N.A. ("Wintrust Bank"), Libertyville Bank & Trust Company, N.A. ("Libertyville Bank"), Northbrook Bank & Trust Company, N.A. ("Northbrook Bank"), Village Bank & Trust, N.A. ("Village Bank"), Wheaton Bank & Trust Company, N.A. ("Wheaton Bank"), State Bank of the Lakes, N.A., Crystal Lake Bank & Trust Company, N.A. ("Crystal Lake Bank"), Schaumburg Bank & Trust Company, N.A. ("Schaumburg Bank"), Beverly Bank & Trust Company, N.A. ("Beverly Bank"), Old Plank Trail Community Bank, N.A. ("Old Plank Trail Bank"), Hinsdale Bank & Trust Company, N.A. ("Hinsdale Bank"), St. Charles Bank & Trust Company, N.A. ("St. Charles Bank") and Town Bank, N.A. ("Town Bank"). As of December 31, 2021, we had 173 banking locations. Each nationally-chartered bank is subject to regulation, supervision and regular examination by the Office of the Comptroller of the Currency ("OCC").

We also engage in the retail origination and purchase of residential mortgages through Wintrust Mortgage as well as consumer direct lending primarily to veterans through our Veterans First brand. Certain originated loans are sold to unaffiliated companies or the Company's banks with servicing remaining within Wintrust Mortgage operations. Wintrust Mortgage maintains retail mortgage offices in a number of states, with the largest concentration located in the Chicago, Minneapolis, Salt Lake City and Los Angeles metropolitan areas.

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

For the years ended December 31, 2021, 2020 and 2019, the community banking segment had net revenues of $1.3 billion, $1.3 billion and $1.1 billion, respectively, and net income of $319 million, $164 million and $238 million, respectively. The community banking segment had total assets of $40.3 billion, $36.8 billion and $29.6 billion as of December 31, 2021, 2020 and 2019, respectively. The community banking segment accounted for approximately 74% of our consolidated net revenues, excluding intersegment eliminations, for the year ended December 31, 2021.

Specialty Finance

Through our specialty finance segment, we offer financing of insurance premiums for businesses and individuals; accounts receivable financing, value-added, out-sourced administrative services; and other specialty finance businesses. FIRST Insurance Funding and Wintrust Life Finance engage in the premium finance receivables business, our most significant specialized lending niche, including property and casualty insurance premium finance and life insurance premium finance. We also engage in property and casualty insurance premium finance in Canada through our wholly-owned subsidiary FIFC Canada.

In their property and casualty insurance premium finance operations, FIRST Insurance Funding and FIFC Canada make loans to businesses to finance the insurance premiums they pay on their property and casualty insurance policies. Approved medium and large insurance agents and brokers located throughout the United States and Canada assist FIRST Insurance Funding and FIFC Canada, respectively, in arranging each commercial premium finance loan between the borrower and FIRST Insurance Funding or FIFC Canada, as the case may be. FIRST Insurance Funding or FIFC Canada evaluates each loan request according to its own underwriting criteria including the amount of the down payment on the insurance policy, the term of the loan, the credit quality of the insurance company providing the financed insurance policy, the interest rate, the borrower's previous payment history, if any, and other factors deemed appropriate. Upon approval of the loan by FIRST Insurance Funding or FIFC Canada, as the case may be, the borrower makes a down payment on the financed insurance policy, which is generally done by providing payment to the agent or broker, who then forwards it to the insurance company. FIRST Insurance Funding or FIFC Canada may either forward the financed amount of the remaining policy premiums directly to the insurance carrier or to the agent or broker for remittance to the insurance carrier on FIRST Insurance Funding's or FIFC Canada's behalf. In some cases the agent or broker may hold our collateral, in the form of the proceeds of the unearned insurance premium from the insurance company, and forward it to FIRST Insurance Funding or FIFC Canada in the event of a default by the borrower. This lending

involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because the agent or broker is the primary contact to the ultimate borrowers who are located nationwide and because proceeds and our collateral may be handled by the agent or brokers during the term of the loan, FIRST Insurance Funding and FIFC Canada may be more susceptible to third party (i.e., agent or broker) fraud. The Company performs various controls and procedures including ongoing credit and other reviews of the agents and brokers as well as performs various internal audit steps to mitigate against the risk of material fraud.

The commercial and property premium finance business is subject to regulation in the majority of states. Regulation typically governs notices to borrowers prior to cancellation of a policy and required communication to insurance agents and insurance companies. FIRST Insurance Funding offers financing of property and casualty insurance policies in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. FIRST Insurance Funding's legal department regularly monitors changes to regulations and updates policies and programs accordingly.

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

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

Premium finance loans made by FIRST Insurance Funding, Wintrust Life Finance and FIFC Canada are primarily secured by the insurance policies financed by the loans. These insurance policies are written by a large number of insurance companies geographically dispersed throughout the United States and Canada. Our premium finance receivables balances finance insurance policies that are spread among a large number of insurers, however, the top three insurers represents approximately 14%, 6% and 5% of such balances. FIRST Insurance Funding, Wintrust Life Finance and FIFC Canada consistently monitor carrier ratings and financial performance of our carriers. In the event ratings fall below certain levels, most of Wintrust Life Finance's life insurance premium finance policies provide for an event of default and allow Wintrust Life Finance to have recourse to borrowers and guarantors as well as to additional collateral in certain cases. For the commercial premium finance business, the term of the loans is sufficiently short such that in the event of a decline in carrier ratings, FIRST Insurance Funding or FIFC Canada, as the case may be, can restrict or eliminate additional loans to finance premiums to such carriers. The majority of premium finance receivables are purchased by the banks in order to more fully utilize their lending capacity as these loans generally provide the banks with higher yields than alternative investments.

Through our wholly-owned subsidiary Wintrust Asset Finance, we provide equipment financing through structured loan and lease products to customers in a variety of industries throughout the United States. Wintrust Asset Finance provides financing of fixed assets consisting of property, plant and equipment, transportation (trucks, trailers, rail, marine, buses), construction, manufacturing equipment, technology, oil and gas, restaurant equipment, medical and healthcare. As of December 31, 2021, the Company's leasing portfolio, including direct financing leases, loans and equipment on operating leases, totaled $2.4 billion compared to $2.1 billion as of December 31, 2020. During 2021, Wintrust Asset Finance contributed approximately $72.5 million to our revenue, which does not reflect intersegment eliminations.

Through our wholly-owned subsidiary Tricom, we provide high-yielding, short-term accounts receivable financing and value-added, outsourced administrative services, such as data processing of payrolls, billing and cash management services to the temporary staffing industry. Tricom's clients, located throughout the United States, provide staffing services to businesses in diversified industries. During 2021, Tricom processed payrolls with associated client billings of approximately $723 million and contributed approximately $12.3 million to our revenue, net of interest expense, which does not reflect intersegment eliminations.

In 2021, our commercial premium finance operations, life insurance premium finance operations, leasing operations and accounts receivable finance operations accounted for 42%, 29%, 25% and 4%, respectively, of the total revenues of our specialty finance business. For the years ended December 31, 2021, 2020 and 2019 the specialty finance segment had net revenues of $294 million, $263 million and $241 million, respectively, and net income of $109 million, $100 million and $89 million, respectively. The specialty finance segment had total assets of $8.4 billion, $7.0 billion and $5.9 billion as of December 31, 2021, 2020 and 2019, respectively. The specialty finance segment accounted for 17% of our consolidated net revenues, excluding intersegment eliminations, for the year ended December 31, 2021.

Wealth Management

Through our wealth management segment, we offer a full range of wealth management services through four separate subsidiaries (Wintrust Investments, CTC, Great Lakes Advisors and CDEC): trust and investment services, tax-deferred like-kind exchange services, asset management, securities brokerage services and 401(k) and retirement plan services.

Wintrust Investments, our registered broker/dealer subsidiary which has been operating since 1931, provides a full range of private client and securities brokerage services to clients located primarily in the Midwest. Wintrust Investments is headquartered in downtown Chicago, operates an office in Appleton, Wisconsin, and has established branch locations in offices at a majority of our banks. Wintrust Investments also provides a full range of investment services to clients through a network of relationships with community-based financial institutions primarily located in Illinois. Wintrust Investments is regulated by the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA") as a registered broker-dealer, as well as by the SEC as a registered investment adviser.

CTC, our trust subsidiary, offers trust and investment management services to clients through offices located in downtown Chicago and at various banking offices of our fifteen banks. CTC is subject to regulation, supervision and regular examination by the OCC.

Great Lakes Advisors, our registered investment adviser with locations in downtown Chicago and Tampa, Florida, as well as in various banking offices of our fifteen banks, provides money management services and advisory services to individuals, institutions, and municipal and tax-exempt organizations. Great Lakes Advisors also provides portfolio management and financial advisory services for a wide range of pension and profit-sharing plans as well as money management and advisory services to CTC. Great Lakes Advisors is regulated by the SEC as a registered investment adviser.

CDEC, our provider of tax-deferred like-kind exchange services, provides Qualified Intermediary services (as defined by U.S. Treasury regulations) for taxpayers seeking to structure tax-deferred like-kind exchanges under Internal Revenue Code ("IRC") Section 1031. Under IRC Section 1031, a taxpayer may defer the gain on the sale of certain investment property if the taxpayer utilizes the services of a Qualified Intermediary. These transactions typically generate customer deposits during the period following the sale of the property until such proceeds are used to purchase a replacement property. These deposits may flow into our banks as a source of low-cost deposits. CDEC is the subsidiary of Elektra Holding Company, LLC ("Elektra"), which was acquired by the Company in December of 2018.

As of December 31, 2021, the Company's wealth management subsidiaries had approximately $35.5 billion of assets under administration, which included $5.3 billion of assets owned by the Company and its subsidiary banks. For the years ended December 31, 2021, 2020 and 2019, the wealth management segment had net revenues of $161 million, $134 million and $130 million, respectively, and net income of $38 million, $29 million and $28 million, respectively. The wealth management segment had total assets of $1.5 billion, $1.3 billion and $1.1 billion as of December 31, 2021, 2020 and 2019, respectively. The wealth management segment accounted for 9% of our consolidated net revenues, excluding intersegment eliminations, for the year ended December 31, 2021.

Strategy and Competition

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

- Leveraged its internal loan pipeline and external growth opportunities to grow earnings assets to increase net interest income;
- Continued efforts to reduce interest costs by improving our funding mix;
- Written call option contracts on certain securities as an economic hedge to mitigate overall interest rate risk and enhance the securities' overall return by using fees generated from these options;
- Entered into mirror-image swap transactions to both satisfy customer preferences and maintain variable rate exposure;
- Completed strategic acquisitions to expand our presence in existing and complimentary markets;

- Focused on cost control and leveraging our current infrastructure to grow without a commensurate increase in operating expenses; and
- Expanded the Wintrust Asset Finance direct leasing niche.

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

Community Banking

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

As a $50 billion asset financial services company, we expect to benefit from greater access to financial and managerial resources than our smaller local competitors while maintaining our commitment to local decision-making and to our community banking philosophy. In particular, we are able to provide a wider product selection and larger credit facilities than many of our smaller competitors, and we believe our service offerings help us in recruiting talented staff. We continue to add lenders throughout the community banking organization, many of whom have joined us because of our ability to offer a range of products and level of services which compete effectively with both larger and smaller market participants. We have continued to expand our product delivery systems, including a wide variety of electronic banking options for our retail and commercial customers which allow us to provide a level of service typically associated with much larger banking institutions. Additionally, we have access to public capital markets whereas many of our local competitors are privately held and may have limited capital-raising capabilities.

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

Wintrust Mortgage competes with large mortgage brokers as well as other banking organizations. Consolidation, margin compression, enhanced regulatory guidance and the promise of equal oversight for both banks and independent mortgage lenders have created challenges for small and medium-sized independent mortgage lenders. Wintrust Mortgage's size, bank affiliation, regulatory competency, branding, technology, business development tools and reputation make the firm well positioned to compete in this environment. Our continued ability to retain the majority of servicing on loans sold, including those loans sold to the Company's banks, allows Wintrust Mortgage to continue to grow a more stable revenue stream. While earnings will fluctuate with the rise and fall of long-term interest rates, we expect that mortgage banking revenue will be a continuous source of revenue for us and our mortgage lending relationships will continue to provide franchise value to our other financial service businesses.

We continue to review our branch footprint and in 2021, the Company opened four new branch locations. The new branches included three locations in the Chicago metropolitan area and one location in Whitefish Bay, Wisconsin. Also in 2021, we recorded an impairment charge of $1.1 million associated with a 2021 branch closing. In addition, in 2021, the Company completed the sale of three branches in southwestern Wisconsin and the closure of nine branches both previously announced in 2020. These were predominantly smaller locations in close proximity to other Wintrust locations. As such, there was no material attrition or customer disruption. In the fourth quarter of 2020, we recorded an impairment charge of $1.4 million associated with the closing of the nine locations. During 2021, leases were terminated and updated appraisals received and approximately $900,000 of additional impairment was recorded associated with the closing of the nine locations. Collectively, the net reduction of eight locations during the year ended December 31, 2021, represented approximately 5% of the Wintrust retail banking locations as of December 31, 2021. It is important to note that while we see increased use of electronic services and are investing heavily in digital capabilities to allow clients to choose how they want to be served, Wintrust will continue to selectively open branches in areas where we are not represented.

Specialty Finance

FIRST Insurance Funding and Wintrust Life Finance encounter intense competition from numerous other firms, including a number of national commercial premium finance companies, companies affiliated with insurance carriers, independent insurance brokers who offer premium finance services and other lending institutions. Some of our competitors are larger and have greater financial and other resources. FIRST Insurance Funding and Wintrust Life Finance compete with these entities by emphasizing a high level of knowledge of the insurance industry, flexibility in structuring financing transactions, and the timely funding of qualifying contracts. We believe that our commitment to service also distinguishes us from our competitors. FIFC Canada competes with one national commercial premium finance company and a few regional providers.

Wintrust Asset Finance competes with other bank-affiliated, independent, captive and vendor equipment leasing and finance companies. Wintrust Asset Finance believes a customer-focused origination philosophy, an experienced team, strong underwriting discipline and expert asset management enables them to compete effectively in a growing and dynamic market.

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

Wealth Management

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

Supervision and Regulation

Regulatory Environment

Our business is heavily regulated and supervised by both federal and state agencies. Both the scope of the laws and regulations and the intensity of the supervision to which our business is subject have increased in recent years, initially in response to the financial crisis, and more recently in light of other factors such as technological and market changes. Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes have occurred as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and its implementing regulations, most of which are now in place. We expect that our business will remain subject to extensive regulation and supervision. Further, the scope and the intensity of regulation and supervision will likely be higher in the Biden Administration.

The Company is a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHC Act"), subject to regulation, supervision, and examination by the Federal Reserve. The Company is also subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, both as administered by the SEC, as well as the rules of NASDAQ that apply to companies with securities listed on the NASDAQ Global Select Market. Each nationally-chartered bank is subject to regulation, supervision and regular examination by the OCC. The deposits of all of our subsidiary banks are insured by the Deposit Insurance Fund ("DIF") and, as such, the FDIC has additional oversight authority over the banks. The supervision, regulation and examination of banks and bank holding companies by bank regulatory agencies are intended primarily for the protection of depositors, the DIF, and the banking system as a whole, rather than shareholders of banks and bank holding companies, and in some instances may be contrary to shareholders' interests.

The Consumer Financial Protection Bureau ("CFPB") has broad rulemaking authority over a wide range of federal consumer protection laws applicable to the business of our subsidiary banks and some other operating subsidiaries. Because each of our subsidiary banks has less than $10 billion in total consolidated assets, our subsidiary banks' federal banking agency, not the CFPB, is responsible for examining and supervising the subsidiary banks' compliance with federal consumer protection laws and regulations. Our non-bank subsidiaries are subject to regulation by their functional regulators, including applicable state finance and insurance agencies, the applicable exchanges, the SEC, FINRA, and the OCC, as well as by the Federal Reserve.

Federal and state laws, and the regulations of the bank regulatory agencies issued under them, affect the scope of business, the kinds and amounts of investments banks may make, reserve requirements, capital levels, the nature and amount of collateral for loans, the establishment of branches, the ability to merge, consolidate and acquire, dealings with insiders and affiliates and the payment of dividends. The regulatory agencies have broad discretion to impose restrictions and limitations on the operations of a regulated entity where the agencies determine, among other things, that such operations are unsafe or unsound, fail to comply with applicable law or are otherwise inconsistent with laws and regulations or with the supervisory policies of these agencies.

The following is a description of some of the laws and regulations that affect our business. By necessity, the descriptions below are summaries that do not purport to be complete, and that are qualified in their entirety by reference to those statutes and regulations discussed, and all regulatory interpretations thereof. Any changes in applicable laws, regulations, or the interpretations thereof could have a material adverse effect on our business or the business of our subsidiaries.

Bank Holding Company Regulation

The Company is a bank holding company that has elected to be treated as a financial holding company. The activities of bank holding companies generally are limited to the business of banking, managing or controlling banks, and certain other activities determined by the Federal Reserve to be closely related to banking. As a financial holding company, we may engage in an expanded range of activities, including activities that are considered to be financial in nature. Financial holding companies may also engage in activities incidental or complementary to financial activities, if the Federal Reserve determines that such activities pose no substantial risk to the safety or soundness of depository institutions or the financial system in general. Impermissible activities for financial holding companies and their subsidiaries include activities that are related to commerce, such as sales of nonfinancial products or manufacturing. As a result, subject to certain exceptions, the BHC Act generally prohibits us from acquiring direct or indirect ownership or control of voting shares of any company engaged in activities that are not permissible for us to engage in.

Maintaining our financial holding company status requires that the Company and each of our subsidiary banks remain “well-capitalized” and “well-managed” as defined by regulation and that each of our subsidiary banks maintain at least a “satisfactory” rating under the Community Reinvestment Act (“CRA”). If we or our subsidiary banks fail to continue to meet these requirements, we could be subject to restrictions on new activities and acquisitions, and/or be required to cease and possibly divest operations that conduct existing activities that are not permissible for a bank holding company that is not a financial holding company.

The BHC Act generally requires us to obtain prior approval from the Federal Reserve before acquiring direct or indirect ownership or control of more than 5% of the voting shares of an additional bank or bank holding company, or to merge or consolidate with another bank holding company. The Bank Merger Act generally requires our subsidiary banks to obtain prior regulatory approval to merge or consolidate with, or acquire substantially all of the assets of or assume deposits of, another bank. We must also be well-capitalized and well-managed, in order to acquire a bank located outside of our home state.

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

Acquisitions of Ownership of the Company

Acquisitions of the Company’s voting stock above certain thresholds may be subject to prior regulatory notice or approval under applicable federal banking laws. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that can be acquired without regulatory approval or notice under the BHC Act and the Change in Bank Control Act.

Volcker Rule

We are prohibited under the Volcker Rule from (1) engaging in short-term proprietary trading for our own account, and (2) having certain ownership interests in and relationships with hedge funds or private equity funds. The fundamental prohibitions of the Volcker Rule apply to banking entities of any size, including the Company and its bank subsidiaries. The Volcker Rule regulations contain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations and also permit certain ownership interests in certain types of funds to be retained. They also permit the offering and sponsoring of funds under certain conditions. The Volcker Rule regulations impose significant compliance and reporting obligations on banking entities. The Company has put in place the compliance programs required by the Volcker Rule and has either divested or received extensions for any holdings in illiquid funds.

As of October 2019, the five regulatory agencies charged with implementing the Volcker Rule finalized amendments to the Volcker Rule's proprietary trading and compliance provisions. These amendments tailor the Volcker Rule's compliance requirements to the amount of a firm's trading activity, revise the definition of trading account, clarify certain key provisions in the Volcker Rule, and modify the information companies are required to provide the federal agencies.

In June 2020, the five regulatory agencies again modified the Volcker Rule, effective October 1, 2020. These modifications permit banking entities to engage in certain fund activities, expand permissible transactions with covered funds, reduce extraterritorial effects on foreign funds, and clarify the Volcker Rule. These requirements did not have a material impact on the Company's investing and trading activities. The Company will continue to monitor the Volcker Rule-related developments and assess their impact on its operations as necessary.

Capital Requirements of the Company and Subsidiary Banks

We and our subsidiary banks are required to maintain minimum risk-based and leverage capital ratios, as well as a capital conservation buffer ("Capital Conservation Buffer"), pursuant to regulations adopted by the Federal Reserve and the OCC to implement the Basel III capital framework ("U.S. Basel III Rule").

Regulatory Capital and Risk-weighted Assets

Regulatory capital requirements apply to Common Equity Tier 1 capital, Tier 1 capital and total capital.

- Common Equity Tier 1 capital consists primarily of common stock and related surplus (net of treasury stock), retained earnings, and certain minority interests, subject to certain regulatory adjustments. For us and our subsidiary banks, Common Equity Tier 1 capital does not include most elements of accumulated other comprehensive income ("AOCI") because we exercised an opt-out election that was available to us with respect to certain changes in the capital treatment of AOCI. We made this election to avoid variations in the level of our capital depending on fluctuations in the fair value of our securities and derivatives portfolio.
- Tier 1 capital is composed of Common Equity Tier 1 capital and Additional Tier 1 capital. Additional Tier 1 capital consists primarily of non-cumulative perpetual preferred stock and related surplus, certain minority interests and, subject to certain regulatory limits, certain grandfathered cumulative perpetual preferred stock and certain grandfathered trust preferred securities.
- Total capital is composed of Tier 1 capital and Tier 2 capital. Tier 2 capital consists primarily of capital instruments and related surplus meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock, certain trust preferred securities and subordinated debt. Also included in Tier 2 capital is the allowance for credit losses limited to a maximum of 1.25% of risk-weighted assets ("RWAs") and, for institutions that have exercised the opt-out election regarding the treatment of AOCI up to 45% of net unrealized gains on available-for-sale equity securities with readily determinable fair market values.

Certain adjustments to and deductions from capital are required for purposes of calculating these regulatory capital measures, including with respect to goodwill, intangible assets, certain deferred tax assets, AOCI and investments in the capital instruments of unconsolidated financial institutions. In July 2019, the U.S. bank regulators finalized changes to certain aspects of the U.S. Basel III capital rules that simplified, for certain bank holding companies and banks, including us and our subsidiary banks, the framework for capital deductions for mortgage servicing assets, certain deferred tax assets and investments in the capital instruments of unconsolidated financial institutions, and the recognition of minority interests in regulatory capital. These amendments were effective as of April 1, 2020. The final rule also supersedes the transition rule that the U.S. bank regulators adopted in 2017 to allow certain banking organizations to continue to apply the transition treatment in effect in 2017 while the U.S. bank regulators considered the capital simplification proposals.

In addition, in December 2018, the U.S. federal banking agencies finalized rules that permit BHCs and banks to phase in, for regulatory capital purposes, the day-one impact of Accounting Standards Update ("ASU") 2016-13 Financial Instruments - Credit Losses (Topic 326) ("CECL") on retained earnings over a period of three years. In response to the COVID-19 pandemic, in 2020, the OCC, the Board of Governors of the Federal Reserve System, and the FDIC published another final rule to delay the estimated impact on regulatory capital stemming from the implementation of CECL. The final rule maintains the three-year transition option in the previous rule and provides banks the option to delay for two years an estimate of CECL's effect on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company is adopting the capital transition relief over the permissible five-year period. For further discussion of the new CECL accounting standard, including the Company's implementation of such guidance, see

"Summary of Critical Accounting Estimates" under Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 and Note 2 "Recent Accounting Pronouncements," to the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K.

Capital Ratio Requirements

Under the U.S. Basel III Rule, we and our subsidiary banks are required to maintain the following minimum capital ratios:

- Common Equity Tier 1 capital to RWAs ratio ("Common Equity Tier 1 Capital Ratio") of 4.5%;
- Tier 1 capital to RWAs ratio ("Tier 1 Capital Ratio") of 6.0%;
- Total capital to RWAs ratio ("Total Capital Ratio") of 8.0%; and
- Tier 1 capital to quarterly average assets (net of goodwill, certain other intangible assets and certain other deductions) ratio ("Tier 1 Leverage Ratio") of 4.0%.

To be well-capitalized, our subsidiary banks must maintain the following capital ratios:

- Common Equity Tier 1 Capital Ratio of 6.5% or greater;
- Tier 1 Capital Ratio of 8.0% or greater;
- Total Capital Ratio of 10.0% or greater; and
- Tier 1 Leverage Ratio of 5.0% or greater.

The Federal Reserve has not yet revised the well-capitalized standard for bank holding companies to reflect the higher capital requirements imposed under the U.S. Basel III Rule. For purposes of the Federal Reserve's Regulation Y, including determining whether a bank holding company meets the requirements to be a financial holding company, bank holding companies, such as the Company, must maintain a Tier 1 Capital Ratio of 6.0% or greater and a Total Capital Ratio of 10.0% or greater to be well-capitalized. If the Federal Reserve were to apply the same or a very similar well-capitalized standard to bank holding companies as that applicable to our subsidiary banks, the Company's capital ratios as of December 31, 2021 would exceed such revised well-capitalized standard. The Federal Reserve may require bank holding companies, including us, to maintain capital ratios substantially in excess of mandated minimum levels, depending upon general economic conditions and a bank holding company's particular condition, risk profile and growth plans.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators, including restrictions on our or our subsidiary banks' ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications, or other restrictions on growth. Such actions, if undertaken, could have an adverse material effect on our operations or financial condition.

In addition to meeting the minimum capital requirements, under the U.S. Basel III Rule, we and our banking subsidiaries must also maintain the required Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions and certain discretionary bonus payments to management. The Capital Conservation Buffer is 2.5% and is calculated as a ratio of Common Equity Tier 1 capital to RWAs and it effectively increases the required minimum risk-based capital ratios. The Tier 1 Leverage Ratio is not impacted by the Capital Conservation Buffer, and a banking institution may be considered well-capitalized while remaining out of compliance with the Capital Conservation Buffer.

The table below summarizes the capital requirements that we and our subsidiary banks must satisfy to avoid limitations on capital distributions and certain discretionary bonus payments (i.e., the required minimum capital ratios plus the Capital Conservation Buffer):

	Minimum Regulatory Capital Ratio Plus Capital Conservation Buffer
Common Equity Tier 1 Capital Ratio	**7.00 %**
Tier 1 Capital Ratio	**8.50**
Total Capital Ratio	**10.50**

As of December 31, 2021, our Company's and our subsidiary banks' regulatory capital ratios were above the well-capitalized standards and met the Capital Conservation Buffer. Based on current estimates, we believe that we and our subsidiary banks will continue to exceed all applicable well-capitalized regulatory capital requirements and the Capital Conservation Buffer. Please refer to the table below for a summary of our regulatory capital ratios as of December 31, 2021, calculated using the regulatory capital methodology applicable to us during 2021.

	Company Regulatory Capital Ratios			
	Minimum Regulatory Capital Ratio for the Company	Minimum Ratio + Capital Conservation Buffer(1)	Well-Capitalized Minimum for the Company(2)	The Company
Common Equity Tier 1 Capital Ratio	4.50 %	7.00 %	N/A	8.6 %
Tier 1 Capital Ratio	6.00	8.50	6.00	9.6
Total Capital Ratio	8.00	10.50	10.00	11.6
Tier 1 Leverage Ratio	4.00	N/A	N/A	8.0

(1) *Reflects the Capital Conservation Buffer of 2.50%.*

(2) *Reflects the well-capitalized standard applicable to the Company for purposes of the Federal Reserve's Regulation Y. The Federal Reserve has not yet revised the well-capitalized standard for BHCs to reflect the higher capital requirements imposed under the U.S. Basel III Rule or to add Common Equity Tier 1 capital ratio and Tier 1 leverage ratio requirements to this standard. As a result, the Common Equity Tier 1 capital ratio and Tier 1 leverage ratio are denoted as "N/A" in this column. If the Federal Reserve were to apply the same or a very similar well-capitalized standard to BHCs as the standard applicable to our subsidiary banks, the Company's capital ratios as of* December 31, 2021 *would exceed such revised well-capitalized standard.*

In addition to the above, as a result of participation in mortgage programs with certain government-sponsored entities as well as other investors, the Company has specific net worth requirements for continued participation. As of December 31, 2021, the Company remained in compliance with such requirements.

Payment of Dividends and Share Repurchases

We are a legal entity separate and distinct from our banking and non-banking subsidiaries. Since our consolidated net income consists largely of net income of our bank and non-bank subsidiaries, our ability to pay dividends and repurchase shares depends upon our receipt of dividends from our subsidiaries. There are various federal and state law limitations on the extent to which our banking subsidiaries can declare and pay dividends to us, including regulatory capital requirements, general regulatory oversight to prevent unsafe or unsound practices and federal and state banking law requirements concerning the payment of dividends out of net profits or surplus. Applicable banking laws also prohibit, without prior regulatory approval, insured depository institutions, such as our bank subsidiaries, from making dividend distributions if such distributions are not paid out of available earnings. In addition, our right, and the right of our shareholders and creditors, to participate in any distribution of the assets or earnings of our bank and non-bank subsidiaries is further subject to the prior claims of creditors of our subsidiaries. No assurances can be given that the banks will, in any circumstances, pay dividends to the Company.

We and our bank subsidiaries must maintain the applicable Common Equity Tier 1 Capital Conservation Buffer to avoid becoming subject to restrictions on capital distributions, including dividends. The Capital Conservation Buffer is currently at its fully phased-in level of 2.5%. For more information on the Capital Conservation Buffer, see above.

Our ability to declare and pay dividends to our shareholders is similarly limited by federal banking law and Federal Reserve regulations and policy. Federal Reserve policy provides that a bank holding company should not pay dividends unless (1) the bank holding company's net income over the last four quarters (net of dividends paid) is sufficient to fully fund the dividends, (2) the prospective rate of earnings retention appears consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries and (3) the bank holding company will continue to meet minimum required capital adequacy ratios. The policy also provides that a bank holding company should inform the Federal Reserve reasonably in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the bank holding company's capital structure. Bank holding companies also are required to consult with the Federal Reserve before materially increasing dividends. The Federal Reserve could prohibit or limit the payment of dividends by a bank holding company if it determines that payment of the dividend would constitute an unsafe or unsound practice.

FDICIA and Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the federal bank regulatory agencies to take "prompt corrective action" regarding FDIC-insured depository institutions that do not meet certain capital adequacy standards. A depository institution's treatment for purposes of the prompt corrective action provisions depends upon its level of capitalization and certain other factors. An institution that fails to remain well-capitalized becomes subject to a series of restrictions that increase in severity as its capital condition weakens. Such restrictions may include a prohibition on capital distributions, restrictions on asset growth or restrictions on the ability to receive regulatory approval of applications. The FDICIA also provides for enhanced supervisory authority over undercapitalized institutions, including authority for the appointment of a conservator or receiver for the institution. In certain instances, a bank holding company may be required to guarantee the performance of an undercapitalized subsidiary bank's capital restoration plan.

As of December 31, 2021, each of the Company's banks was categorized as "well-capitalized" and, in addition, met additional requirements under the Capital Conservation Buffer.

Enforcement Authority

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

Safety and Soundness

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

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

Cross-Guarantee

Under the cross-guarantee provision of the FDIA, insured depository institutions such as our subsidiary banks may be liable to the FDIC for any losses incurred, or reasonably expected to be incurred, by the FDIC resulting from the default of, or FDIC assistance to, any other commonly controlled insured depository institution. An FDIC cross-guarantee claim against a depository institution is superior in right of payment to claims of the holding company and its affiliates against such depository institution. All of our subsidiary banks are commonly controlled within the meaning of the cross-guarantee provision.

Insurance of Deposit Accounts

The deposits of each of our subsidiary banks are insured by the Depositors Insurance Fund ("DIF") up to the standard maximum deposit insurance amount of $250,000 per depositor. Each of our subsidiary banks is subject to deposit insurance assessments based on the risk it poses to the DIF, as determined by the capital category and supervisory category to which it is assigned. The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve statutorily required reserve ratios in the DIF and to impose special additional assessments. There is a risk that our subsidiary banks' deposit insurance premiums will increase if failures of insured depository institutions deplete the DIF or if the FDIC were to change its view of the risk that they pose to the DIF.

In addition, the Deposit Insurance Fund Act of 1996 authorized the Financing Corporation ("FICO") to impose assessments on DIF assessable deposits in order to service the interest on FICO's bond obligations. The FICO assessment rate was adjusted quarterly through the final collection in the second quarter of 2019. The rate was approximately 0.120 basis points for the second quarter of 2019 (12 cents per $10,000 of assessable deposits).

Assessment rates remain unchanged since the DIF reserve ratio fell to 1.30% in June 2020. The FDIC, as required under the Federal Deposit Insurance Act, established a plan on September 15, 2020, to restore the DIF reserve ratio to meet or exceed 1.35% within eight years. The FDIC's restoration plan projects the reserve ratio to exceed 1.35% without increasing the deposit insurance assessment rate, subject to ongoing monitoring over the next eight years. The FDIC could increase the deposit insurance assessments for certain insured depository institutions, including our subsidiary banks, if the DIF reserve ratio is not restored as projected.

Limits on Loans to One Borrower and Loans to Insiders

Federal banking laws impose limits on the amount of credit a bank can extend to any one person (or group of related persons). For national banks, this limit includes credit exposures arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions.

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

Lending Standards and Guidance

The federal banking agencies have adopted uniform regulations prescribing standards for extensions of credit that are secured by liens or interests in real estate or made for the purpose of financing permanent improvements to real estate. Under these regulations, all insured depository institutions, such as our subsidiary banks, must adopt and maintain written policies establishing appropriate limits and standards for extensions of credit that are secured by liens or interests in real estate or are made for the purpose of financing permanent improvements to real estate. These policies must establish loan portfolio diversification standards, prudent underwriting standards (including loan-to-value limits) that are clear and measurable, loan administration procedures, and documentation, approval and reporting requirements. The real estate lending policies must reflect consideration of the federal bank regulators' Interagency Guidelines for Real Estate Lending Policies.

De Novo Branching and De Novo Banks

With the approval of applicable regulators, national banks and state banks may establish de novo branches in states other than their home state as if such state was the bank's home state.

For a three-year period, newly chartered banks are subject to enhanced supervisory procedures, including higher capital requirements, more frequent examinations and other requirements.

Anti-Tying Provisions

Each of our subsidiary banks is prohibited from conditioning the availability of any product or service, or varying the price for any product or service, on the requirement that the customer obtain some additional product or service from the bank or any of its affiliates, other than loans, deposits and trust services.

Transactions with Affiliates

Certain transactions between a bank and its holding company or other non-bank affiliates are subject to various restrictions imposed by state and federal law and regulation. Such "covered transactions" include loans and other extensions of credit by the bank to the affiliate, investments in securities issued by the affiliate, purchases of assets from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan, and the issuance of a guarantee, acceptance or letter of credit on behalf of the affiliate. In general, these affiliate transaction rules limit the amount of covered transactions between an institution and a single affiliate, as well as the aggregate amount of covered transactions between an institution and all of its affiliates. In addition, covered transactions that are credit transactions must be secured by acceptable collateral, and all affiliate transactions, including those that do not qualify as covered transactions, must be on terms that are at least as favorable to the bank as then-prevailing in the market for comparable transactions with unaffiliated entities. Transactions between affiliated banks may be subject to certain exemptions under applicable federal law.

Community Reinvestment Act

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

In June 2020, the OCC adopted the CRA rules in final form (June 2020 Rule), which would have applied to national banks, including our subsidiary banks. In December 2021, the OCC issued a final rule to rescind the June 2020 Rule and replace it with a rule based largely on the prior rules adopted jointly by the federal banking agencies in 1995, as amended, that existed prior to the June 2020 Rule. The OCC has also issued a joint statement with the FDIC and Federal Reserve stating that they are committed to working jointly to modernize the CRA rules.

Compliance with Consumer Protection Laws

Our subsidiary banks and some other operating subsidiaries are subject to a variety of federal and state statutes and regulations designed to protect consumers. The CFPB has broad rulemaking authority over a wide range of federal consumer protection laws that apply to banks and other providers of financial products and services, including the authority to prohibit "unfair, deceptive or abusive" acts and practices, but examination and supervision is carried out by each subsidiary bank's primary federal banking agency and, where applicable, state banking agency, not the CFPB. In addition, the Dodd-Frank Act authorizes state attorneys general and other state officials to enforce consumer protection rules issued by the CFPB. State authorities have recently increased their focus on and enforcement of consumer protection rules.

Interest and other charges collected or contracted for by banks are subject to state usury laws and federal laws concerning interest rates. Loan operations are also subject to federal laws applicable to credit transactions, such as:

- the federal Truth-In-Lending Act and Regulation Z issued by the CFPB, governing disclosures of credit terms to consumer borrowers;
- The Real Estate Settlement Procedures Act and Regulation X issued by the CFPB, requiring that borrowers for mortgage loans for one- to four-family residential real estate receive various disclosures, including good faith estimates of settlement costs, lender servicing and escrow account practices, and prohibiting certain practices that increase the cost of settlement services;
- the Home Mortgage Disclosure Act and Regulation C issued by the CFPB, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- the Equal Credit Opportunity Act and Regulation B issued by the CFPB, prohibiting discrimination on the basis of various prohibited factors in extending credit;
- the Fair Credit Reporting Act and Regulation V issued by the CFPB, governing the use and provision of information to consumer reporting agencies;
- the Fair Debt Collection Practices Act and Regulation F issued by the CFPB, governing the manner in which consumer debts may be collected by collection agencies;
- the Service Members Civil Relief Act, applying to all debts incurred prior to commencement of active military service (including credit card and other open-end debt) and limiting the amount of interest, including service and renewal charges and any other fees or charges (other than bona fide insurance) that is related to the obligation or liability; and
- the guidance of the various federal agencies charged with the responsibility of implementing such federal laws.

Deposit operations are subject to, among others:

- the Truth in Savings Act and Regulation DD issued by the CFPB, which require disclosure of deposit terms to consumers;

- Regulation CC issued by the Federal Reserve Board, which relates to the availability of deposit funds to consumers;
- the Right to Financial Privacy Act, which imposes a duty to maintain the confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records; and
- the Electronic Fund Transfer Act and Regulation E issued by the CFPB, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services.

There are consumer protection standards that apply to functional areas of operation rather than applying only to loan or deposit products. Our subsidiary banks and some other operating subsidiaries are also subject to certain state laws and regulations designed to protect consumers.

The CFPB has promulgated, and continues to promulgate, many mortgage-related final rules since it was established under the Dodd-Frank Act, including rules related to the ability to repay and qualified mortgage standards, mortgage servicing standards, loan originator compensation standards, high-cost mortgage requirements, Home Mortgage Disclosure Act requirements and appraisal and escrow standards for higher priced mortgages. Most of the provisions of these mortgage-related final rules are currently effective. In addition, several proposed revisions to mortgage-related rules are pending finalization. The mortgage-related final rules issued by the CFPB have materially restructured the origination, servicing and securitization of residential mortgages in the United States. These rules have impacted, and will continue to impact, the business practices of mortgage lenders, including the Company.

In order to ensure compliance with all mortgage-related rules and regulations, the Company consolidated its consumer mortgage loan origination and loan servicing operations primarily within Wintrust Mortgage. All consumer mortgage applications are taken through Wintrust Mortgage, which has extensively trained loan originators located at many of our branches. While in certain limited cases our banks may offer specialized consumer mortgages to our customers, substantially all consumer mortgages for all of our banks are originated and closed by Wintrust Mortgage. Wintrust Mortgage then sells loans to third parties or to our banks. To the extent that we retain consumer mortgage loans in our bank portfolios, our banks have engaged Wintrust Mortgage to provide loan servicing.

In January 2021, the OCC released a final rule that would require certain OCC-supervised banks to provide access to services, capital, and credit based on their risk assessment of individual customers, rather than broad-based decisions affecting whole categories or classes of customers, which includes requiring banks to make each financial service they offer available to all persons in the geographic market served by them on proportionally equal terms. The rule was scheduled to take effect on April 1, 2021. However, the OCC announced that the next confirmed Comptroller of the Currency will review the final rule, and its future remains uncertain.

Changes to consumer protection regulations, including those promulgated by the CFPB, could affect our business but the likelihood, timing and scope of any such changes and the impact any such change may have on us cannot be determined with any certainty. See Item 1A. Risk Factors.

Debit Interchange

We are subject to a statutory requirement that interchange fees for electronic debit transactions that are paid to or charged by payment card issuers, including our bank subsidiaries, be reasonable and proportional to the cost incurred by the issuer. Interchange fees for electronic debit transactions are limited to 21 cents plus 0.05% of the transaction, plus an additional one cent per transaction fraud adjustment, impose requirements regarding routing and exclusivity of electronic debit transactions, and generally require that debit cards be usable in at least two unaffiliated networks.

Anti-Money Laundering Programs

The Bank Secrecy Act ("BSA") and USA PATRIOT Act of 2001 ("USA PATRIOT Act") contain anti-money laundering ("AML") and financial transparency provisions intended to detect, and prevent the use of the U.S. financial system for, money laundering and terrorist financing activities. The BSA, as amended by the USA PATRIOT Act, requires depository institutions and their holding companies to undertake activities including maintaining an AML program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. Each of our subsidiary banks is subject to the BSA and, therefore, is required to provide its employees with AML training, designate an AML compliance officer and undergo an annual, independent audit to assess the effectiveness of its AML program. We have implemented policies, procedures and internal controls that are designed to comply with these AML requirements. In May 2016, the Financial Crimes Enforcement Network ("FinCEN"), which is a unit of the Treasury Department that drafts regulations

implementing the USA PATRIOT Act and other AML and BSA legislation, issued final rules governing enhanced customer due diligence. The rules impose several new obligations on covered financial institutions with respect to their "legal entity customers," including corporations, limited liability companies and other similar entities. For each such customer that opens an account (including an existing customer opening a new account), the covered financial institution must identify and verify the customer's "beneficial owners," who are specifically defined in the rules. The rules contain an exemption for certain insurance premium financing transactions. Bank regulators are focusing their examinations on anti-money laundering compliance, and we will continue to monitor and augment, where necessary, our AML compliance programs. The federal banking agencies are required, when reviewing bank and bank holding company acquisition or merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicant.

The Anti-Money Laundering Act of 2020, enacted on January 1, 2021 as part of the National Defense Authorization Act, does not directly impose new requirements on banks, but requires the U.S. Treasury Department to issue National Anti-Money Laundering and Countering the Financing of Terrorism Priorities, and conduct studies and issue regulations that may, over the next few years, significantly alter some of the due diligence, recordkeeping and reporting requirements that the Bank Secrecy Act and USA PATRIOT Act impose on banks. The Anti-Money Laundering Act of 2020 also contains provisions that promote increased information-sharing and use of technology, and increases penalties for violations of the Bank Secrecy Act and includes whistleblower incentives, both of which could increase the prospect of regulatory enforcement.

Office of Foreign Assets Control Regulation

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

Protection of Client Information

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

Data privacy and data protection are areas of increasing state legislative focus. For example, in June of 2018, the Governor of California signed into law the California Consumer Privacy Act ("CCPA"). The CCPA, which became effective on January 1, 2020, applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. The CCPA contains several exemptions, including that many, but not all, requirements of the CCPA are inapplicable to information that is collected, processed, sold or disclosed pursuant to the GLB Act. California voters also recently passed the California Privacy Rights Act, which will take effect on January 1, 2023 and significantly modifies the CCPA. The California Privacy Rights Act imposes additional obligations on covered companies and expands California consumers' rights with respect to certain sensitive personal information, resulting in further uncertainty and potentially requiring us to incur additional costs and expenses in an effort to comply with these requirements.

The CCPA may be interpreted or applied in a manner inconsistent with our understanding or similar laws may be adopted by other states where we do business. The impact of the CCPA on our business is yet to be determined. The federal government may also pass data privacy or data protection legislation.

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

In November 2021, the Federal Reserve, OCC, and FDIC adopted a new regulation that, among other things, requires a banking organization to notify its primary federal regulators within 36 hours after identifying a “computer-security incident” that the banking organization believes in good faith could materially disrupt or degrade its business or operations in a manner that would, among other things, jeopardize the viability of its operations, result in customers being unable to access their deposit and other accounts, result in a material loss of revenue, profit or franchise value, or pose a threat to the financial stability of the United States.

Violation of these legal requirements may expose us to regulatory action and private litigation, including claims for damages and penalties.

Broker-Dealer and Investment Adviser Regulation

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

As a result of federal and state registrations and SRO memberships, Wintrust Investments is subject to overlapping schemes of regulation that cover all aspects of its securities businesses. Such regulations cover uses and safekeeping of clients’ funds; record-keeping and reporting requirements; supervisory and organizational procedures intended to assure compliance with securities laws and to prevent improper trading on material nonpublic information; personnel-related matters, including qualification and licensing of supervisory and sales personnel; limitations on extensions of credit in securities transactions; clearance and settlement procedures; “suitability” determinations as to certain customer transactions; limitations on the amounts and types of fees and commissions that may be charged to customers; and regulation of proprietary trading activities and affiliate transactions. Violations of the laws and regulations governing a broker-dealer’s actions can result in censures, fines, the issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of a broker-dealer or its officers or employees, or other similar actions by both federal and state securities administrators, as well as the SROs.

As a registered broker-dealer, Wintrust Investments is subject to the SEC’s net capital rule as well as the net capital requirements of the SROs of which it is a member. Net capital rules, which specify minimum capital requirements, are designed to measure general financial integrity and liquidity and require that at least a minimum amount of net assets be kept in relatively liquid form. Rules of FINRA and other SROs also impose limitations and requirements on the transfer of member organizations’ assets. Compliance with net capital requirements may limit the Company’s operations requiring the intensive use of capital. These requirements restrict the Company’s ability to withdraw capital from Wintrust Investments, which in turn may limit the Company’s ability to pay dividends, repay debt or redeem or purchase shares of the Company’s own outstanding stock. Wintrust Investments is a member of the Securities Investor Protection Corporation (“SIPC”), which subject to certain limitations, serves to oversee the liquidation of a member brokerage firm, and to return missing cash, stock and other securities owed to the firm’s brokerage customers, in the event a member broker-dealer fails. The general SIPC protection for customers’ securities accounts held by a member broker-dealer is up to $500,000 for each eligible customer, including a maximum of $250,000 for cash claims. SIPC does not protect brokerage customers against investment losses. In addition to SIPC coverage, the clearing firm utilized by Wintrust Investments offers certain insurance coverage. In the event of the clearing firm’s insolvency, clients whose cash and securities were not fully protected by SIPC may benefit from this additional insurance. The policy provides coverage to each client up to $1.9 million, subject to an aggregate cap of $1 billion for all policy beneficiaries.

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

In June 2019, the SEC finalized Regulation Best Interest, which imposes a new standard of conduct on SEC-registered broker-dealers when making recommendations to retail customers. In addition, the SEC finalized a new summary disclosure form that broker-dealers and registered investment advisers must provide to retail customers. Wintrust Investments and Great Lakes Advisors were required to comply with these requirements, as applicable, as of June 2020.

Incentive Compensation

The federal banking agencies have issued joint guidance on incentive compensation designed to ensure that the incentive compensation policies of banking organizations, such as us and our subsidiary banks, do not encourage imprudent risk taking and are consistent with the safety and soundness of the organization. In addition, the Dodd-Frank Act requires the federal banking agencies and the SEC to issue regulations or guidelines requiring covered financial institutions, including us and our subsidiary banks, to prohibit incentive-based payment arrangements that encourage inappropriate risks by providing compensation that is excessive or that could lead to material financial loss to the institution. A proposed rule was issued in 2016. It is unclear when, if ever, the proposed rule will be finalized. The Biden Administration may revisit this proposal.

Also pursuant to the Dodd-Frank Act, in 2015, the SEC proposed rules that would direct stock exchanges to require listed companies to implement clawback policies to recover incentive-based compensation from current or former executive officers in the event of certain financial restatements and would also require companies to disclose their clawback policies and their actions under those policies. The SEC has re-opened the comment period for these rules, but it is unclear when the proposed rules will be finalized.

Human Capital Resources

Since its formation, Wintrust has held the objective of aiming to differentiate itself by offering customers a highly-personalized banking experience, through staff that is warm, friendly, and responsive. Wintrust expects each of its employees to embody that original mission by serving as brand ambassadors each day, within each community served by our banks and other business units.

Workforce Overview

As of December 31, 2021, Wintrust employed 5,239 full-time equivalent employees in the U.S. and Canada. Approximately 97% of Wintrust's employees are classified as full-time, working greater than 30 hours per week. None of our employees are represented by a collective bargaining agreement and we consider our employee relations to be good.

Talent Recruiting and Retention

At Wintrust we recognize that attracting, motivating and retaining talent at all levels is vital to continuing our success. In 2021, Wintrust filled approximately 1,069 positions, including external hires, internal transfers/promotions, and temporary hires. In 2021, approximately 54% of our new hires self-identified as female and approximately 39% of new hires self-identified as a racial or ethnic minority. Wintrust promotes an employee referral program, which we believe favorably affects colleague retention and engagement. Turnover for the entire Wintrust enterprise for the year was approximately 20% and voluntary departures accounted for approximately 81% of the total turnover.

Wintrust offers total rewards packages that are designed to attract, motivate and retain a talented and diverse group of employees. In addition to competitive, performance-based compensation plans, we provide employees with comprehensive benefits packages. Wintrust consistently monitors and adapts its total rewards program design to reflect both market changes and employee feedback.

Diversity & Inclusion

Wintrust strives to promote an equitable, diverse and inclusive culture where each employee can be successful, and one that is reflective of the communities we serve. Women currently represent more than 58% of Wintrust's workforce. In addition, racially/ethnically diverse representation in Wintrust's workforce is approximately 31%. To further advance diversity and inclusion across Wintrust, we have taken the following steps:

- Expanded the "shared responsibility in action" theme by launching 12-month advocate-protégé partnerships which paired select high-potential protégés with senior executive advocates. The protégé cohort includes over 60% women and 35% leaders who are racially or ethnically diverse. The program objective is to accelerate development of leadership opportunities for protégés within one to three years after launching the partnership.
- Launched a fourth Business Resource Group ("BRG") called Prism, which is intended to support our LGBTQ+ employees and community. Other BRGs are: Leadership Coalition, Multicultural Professionals Network, and Career Navigation. Over 10% of Wintrust employees have registered as members of one or more BRG.
- Introduced the 360 degree Inclusivity Model designed to take inclusive approaches to addressing racial and financial disparities in the communities we serve, through enhanced products and services.
- Required each of our business units to outline key goals and effective effort for advancing diversity and inclusion via formal Diversity & Inclusion Business Unit Action Plans document that are reviewed and updated annually.

Learning & Development

We are committed to providing all team members with development opportunities through individual and career development planning. Our employees have access to approximately 500 Banking topics, 150 Professional Skills topics and 400 customized training courses and resources through Wintrust University – our learning portal. In 2021, we introduced a new online training catalog containing over 16,000 course offerings for our employees' personal and professional development. In 2021, Wintrust invested more than 117,000 total hours in training by team members.

We routinely identify and recognize talented employees by performing comprehensive reviews of leadership capability, readiness, aspiration and succession planning. To support the development of our internal talent pipeline, we have invested in a number of programs to support the development of future leaders and additional training for senior leaders with strategic accountability. To support the development of future leaders, 79 newly minted leaders attended "The Fundamentals of Wintrust Leadership" program and 18 senior leaders participated in our year-long "Winning at Wintrust" training program focused on strategic accountability. Additionally, 141 retail employees completed the Wintrust Bankers Academy program in 2021.

Annually, Wintrust team members at all levels certify their completion of regulatory training based upon their roles and responsibilities. They also are encouraged to complete a minimum of two professional development activities each year.

Pandemic Worker Health & Safety Efforts

Initiatives undertaken to keep our employees safe during the COVID-19 pandemic have included:

- Granted emergency sick leave to all employees up to 160 hours for caring for a family member or personal illness due to COVID-19.
- Paid employees for all employer directed quarantines due to close contact exposure in the workplace.
- Continued to support non-essential staff to work remotely where possible.
- Hosted various virtual wellness sessions throughout the year addressing a variety of topics that included anxiety, depression, resiliency for working parents, nutrition, ergonomics and virtual cooking classes.
- Closely monitored vaccinations percentages of our overall workforce.
- Modified banking operations and branch staffing levels to limit close person-to-person contact where possible.
- Paid employees full wages in the event a branch closure occurred due to COVID-19 impacts on staffing levels.
- Offered telemedicine services through a third-party vendor for COVID-19 symptoms and illness.
- Covered the full cost of COVID-19 testing for all employees and family members enrolled in Wintrust's health benefits.
- Made at-home COVID-19 test kits available to limit employees' need to leave their homes for testing.
- Continued support for childcare benefits for employees to improve work-life balance.
- Provided employee assistance program offerings and resources designed to help employees deal with COVID-19 related mental health issues.

- Monitored and adjusted safety protocols and signage at all of our locations in response to changing guidelines by local, state and federal regulations, and recommendations.
- Maintained comprehensive employee communications program regarding COVID-19 related matters.
- Provided enhanced manager and employee resources relating to remote work environment.
- Required daily health attestations for employees reporting to branch locations and offices.

Available Information

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

ITEM 1A. RISK FACTORS

Risk Factors Summary

The summary of risks below provides an overview of the principal risks we are exposed to in the normal course of our business activities. This summary does not contain all of the information provided in the detailed discussion of risks that follows this summary and should be read together with such detailed discussion.

Risks Related to Economic Conditions and Operating Environment

- Includes risks related to the COVID-19 pandemic, climate change and related environmental sustainability matters, deterioration in economic conditions and economic declines in the Chicago metropolitan and southern Wisconsin market areas, since our business is concentrated in these regions.

Risks Related to Competition and Reputation

- Includes risks related to our ability to compete effectively, damage to our reputation, consumers deciding not to use banks to complete their financial transactions and the impact on us from the soundness of other financial institutions.

Risks Related to Growth and Acquisitions

- Includes risks related to our ability to identify favorable acquisitions or successfully integrate our acquisitions, our participation in FDIC-assisted acquisitions, new lines of business and new products and services and de novo operations that often involve significant expenses and delayed returns.

Legal and Regulatory Risks

- Includes risks related to our ability to meet regulatory capital ratios, changes in the United States' monetary policy, legislative and regulatory actions taken now or in the future regarding the financial services industry, financial reform legislation and increased regulatory rigor around consumer protection mortgage-related issues, federal, state and local consumer lending laws that may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans, regulatory initiatives regarding bank capital requirements that may require heightened capital, any increase in our FDIC insurance premiums, any non-compliance with the USA PATRIOT Act, BSA or other laws and regulations, claims and legal actions, examinations and challenges by tax authorities, changes in federal and state tax laws and changes in the interpretation of existing laws, changes in accounting policies or accounting standards and changes in U.S. trade policies, including the imposition of tariffs and retaliatory tariffs.

Risks Related to Lending Operations

- Includes risks related to our allowance for credit losses and sufficiency to absorb losses that may occur in our loan portfolio, litigation from the banks' customers or other parties regarding the banks' processing of loans for the SBA Paycheck Protection Program ("PPP") and that the SBA may not fund some or all PPP loan guaranties, the repayment of commercial loans which are largely dependent upon the financial success and economic viability of the borrower, our loan portfolio being secured by real estate, in particular commercial real estate, events impacting collateral consisting of real property, any inaccurate assumptions in our analytical and forecasting models and environmental liability risk associated with lending activities.

Risks Related to Our Niche Businesses

- Includes risks related to our premium finance business, which may involve a higher risk of delinquency or collection than our other lending operations, widespread financial difficulties or credit downgrades among commercial and life insurance providers and exposure to certain risks associated with the securities industry.

Risks Related to Financial Strength and Liquidity

- Includes risks related to changes in prevailing interest rates, our liquidity position, an actual or perceived reduction in our financial strength, our credit rating, capital not being available when it is needed or the cost of that capital being very high, disruption in the financial markets, being a bank holding company and therefore being limited in sources of funds, including to pay dividends, and uncertainty about the transition from LIBOR to alternate benchmark interest rates.

Risks Related to General Operations

- Includes risks related to our controls and procedures, our operational or security systems or infrastructure, or those of third parties, security risks (including denial of service attacks, hacking, social engineering attacks targeting our colleagues and customers, malware intrusion and data corruption attempts), the failures of vendors, cybersecurity risks associated with debit cards and debit card transactions, the accuracy and completeness of information we receive about

our customers and counterparties to make credit decisions, our ability to attract and retain experienced and qualified personnel, losses incurred in connection with actual or projected repurchases and indemnification payments related to mortgages that we have sold into the secondary market and the occurrence of extraordinary events, such as acts of war, terrorist attacks, natural disasters and public health threats.

Risks Related to Ownership of Our Common Stock

- Anti-takeover provisions could negatively impact our shareholders.

Risk Factors

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

Risks Related to Economic Conditions and Operating Environment

The COVID-19 pandemic is adversely affecting us and our customers, employees and third-party service providers, and the adverse impact on our business, financial condition, results of operations and cash flows could be material.

Although the U.S. and global economies have begun to recover from the COVID-19 pandemic as many health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time, including labor shortages and disruptions of global supply chains. The growth in economic activity and demand for goods and services, alongside labor shortages and supply chain complications, has also contributed to rising inflationary pressures. All of our three primary business segments: community banking, specialty finance and wealth management, have been uniquely impacted and we expect will continue to be impacted by the COVID-19 pandemic, requiring the implementation of certain responses as circumstances evolve. The extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the rate of distribution and administration of vaccines globally, the severity and duration of any resurgence of COVID-19 variants, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. In addition, the COVID-19 pandemic may have the effect of heightening the other risks described in this Item 1A.

We have continued to maintain appropriate levels of our allowance for loan losses in response to the COVID-19 pandemic. The effects of the pandemic could cause us to recognize heightened credit losses in our loan portfolio and additional increases in our allowance for loan losses. Certain portions of our lending portfolio are particularly vulnerable to the COVID-19 pandemic, including commercial and industrial and commercial real estate loans. Until the effects of the pandemic subside, we could experience additional draws on lines of credit, downward pressure on deposits, and increased loan delinquencies. The effects of COVID-19 may impair the value of collateral securing our loans, especially commercial and residential real estate loans. Further, a significantly larger amount of delinquent mortgage loans may result in us having to repurchase or substitute loans that we have sold in the secondary market.

Market interest rates declined significantly during the pandemic, but we expect that the temporary reduction of interest rates to near zero will be reversed, with the Federal Reserve now signaling its concerns with respect to inflation and announcing that it will begin to taper its purchases of mortgage and other bonds. The timing and impact of this expected reversal in interest rates trends is unknown. The lower interest rate environment has negatively affected our interest rate margin and, especially if prolonged, could adversely affect our net interest income and profitability. Further, the pandemic could cause us to recognize impairment of our goodwill and other financial assets, may increase our cost of capital, may prevent us from satisfying our minimum regulatory capital ratios and other supervisory requirements, and could result in a downgrade in our credit ratings. The negative economic conditions caused by the COVID-19 pandemic, especially if prolonged, may have a material adverse effect on our business, financial condition and results of operations.

To protect the health and safety of our employees and communities, many of our employees have been working remotely. We may experience increased costs of operations or other operational difficulties, including increased cybersecurity risk, due to the remote working environments of our employees. We may also experience additional operational risk due to difficulties experienced by our vendors. The effects of the pandemic and measures taken in response may subject us to increased risk of litigation and governmental and regulatory scrutiny.

Given the ongoing and dynamic nature of the circumstances, it is not possible to accurately predict the extent, severity or duration of the pandemic or when normal economic and operating conditions will resume. Even after the pandemic has subsided, we may continue to experience adverse impacts to our business as a result of the virus's impact on the domestic and global economy. Accordingly, the extent to which the COVID-19 pandemic may affect our business, financial condition, results of operations and cash flows (including without limitation our liquidity, regulatory capital ratios and credit ratings) is highly uncertain, unpredictable and depends on factors including, among other things, new information that may emerge regarding the COVID-19 pandemic, the duration and severity of the pandemic, the availability and efficacy of vaccines, the emergence of variant strains of the virus and responses to the pandemic by the government, businesses and consumers.

Deterioration in economic conditions may materially adversely affect the financial services industry and our business, financial condition, results of operations and cash flows.

Our business activities and earnings are affected by general business conditions in the United States and abroad, including factors such as the level and volatility of short-term and long-term interest rates, inflation, home prices, unemployment and underemployment levels, bankruptcies, household income, consumer spending, fluctuations in both debt and equity capital markets, liquidity of the global financial markets, the availability and cost of capital and credit, investor sentiment and confidence in the financial markets, and the strength of the domestic economies in which we operate. The deterioration of any of these conditions can adversely affect our consumer and commercial businesses and securities portfolios, our level of charge-offs and provision for credit losses, our capital levels and liquidity, and our results of operations.

As a lending institution, our business is directly affected by the ability of our borrowers to repay their loans, as well as by the value of collateral, such as real estate, that secures many of our loans. Any economic deterioration from current levels or slowing of current economic activity could lead to an increase in loan charge-offs and negatively affect consumer confidence as well as the level of business activity. Net charge-offs totaled $21.5 million in 2021 from $40.3 million in 2020. Our balance of non-performing loans and other real estate owned ("OREO") was $74.4 million and $4.3 million, respectively, at December 31, 2021 compared to $127.5 million and $16.6 million, respectively, at December 31, 2020. Deterioration in the economy and real estate markets, higher inflation, rising interest rates or increased unemployment rates, particularly in the markets in which we operate, will likely diminish the ability of our borrowers to repay loans that we have made to them, decrease the value of any collateral securing such loans and may cause increases in delinquencies, problem assets, charge-offs and provision for credit losses, all of which could materially adversely affect our financial condition and results of operations. Further, the underwriting and credit monitoring policies and procedures that we have adopted may not prevent losses that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

Except for our premium finance business and certain other niche businesses, our success depends primarily on the general economic conditions of the specific local markets in which we operate. Unlike larger national or other regional banks that are more geographically diversified, we provide banking and financial services to customers primarily in the Chicago metropolitan and southern Wisconsin market areas. The local economic conditions in these areas significantly impact the demand for our products and services as well as the ability of our customers to repay loans, the value of the collateral securing loans and the stability of our deposit funding sources.

In addition, the State of Illinois has experienced significant financial difficulty in recent years. To the extent that these issues impact the economic vitality of the state and the businesses operating in Illinois, businesses may be encouraged to leave the state or new employers may be discouraged to start or move businesses to Illinois, which could have a material adverse effect on our financial condition and results of operations.

Climate change manifesting as transition, physical or other risks could adversely affect our operations, businesses, customers, reputation and financial condition.

There is an increasing concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change include discrete events, such as flooding, hurricanes, tornadoes and wildfires, and longer-term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Such events could disrupt our operations or those of our customers or third parties on which we rely, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility. Additionally, transitioning to a low-carbon economy will entail extensive policy, legal, technology and market initiatives. Transition risks, including changes in consumer preferences, additional regulatory requirements or taxes and additional counterparty or customer requirements, could increase our expenses, undermine our strategies and impact our financial condition. In addition, our reputation and client relationships may be damaged as a result of our practices related to climate change, including our involvement, or our clients' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. As climate risk is interconnected with all key risk types, we have begun to develop and continue to enhance processes, to embed climate risk considerations into our risk management strategies established for risks such as market, credit and operational risks; however, because the timing and severity of climate change may not be predictable, our risk management strategies may not be effective in mitigating climate risk exposure.

Risks Related to Competition and Reputation

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

We face competition in attracting and retaining deposits, making loans, and providing other financial services (including wealth management services) throughout our market area. Our competitors include national, regional and other community banks, and a wide range of other financial institutions such as credit unions, government-sponsored enterprises, mutual fund companies, insurance companies, factoring companies and other non-bank financial companies such as marketplace lenders and other financial technology ("FinTech") companies. Many of these competitors have substantially greater resources and market presence or more advanced technology than Wintrust and, as a result of their size, may be able to offer a broader range of products and services, better pricing for those products and services, or newer technologies to deliver those products and services than we can. Several of our local competitors have experienced improvements in their financial condition over the past few years and are better positioned to compete for loans, acquisitions and personnel. The financial services industry could become even more competitive as a result of legislative, regulatory and technological changes and continued consolidation. For example, the Economic Growth Act and its implementing regulations significantly reduce the regulatory burden of certain large BHCs and raise the asset thresholds at which more onerous requirements apply, which could cause certain large BHCs to become more competitive or to more aggressively pursue expansion. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as mobile payment and other automatic transfer and payment systems, and for banks that do not have a physical presence in our markets to compete for deposits. The absence of regulatory requirements may give non-bank financial companies a competitive advantage over Wintrust.

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

- the ability to develop, maintain and build upon long-term customer relationships based on top quality service and high ethical standards;
- the scope, relevance and pricing of products and services offered to meet customer needs and demands;
- the ability to expand our market position;
- the ability to uphold our reputation in the marketplace;
- the rate at which we introduce new products and services relative to our competitors;
- customer satisfaction with our level of service; and
- industry and general economic trends.

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

Damage to our reputation may harm our business.

Maintaining trust in the Company is critical to our ability to attract and maintain customers, investors and employees. If our reputation is damaged, our business could be significantly harmed. Harm to our reputation could arise from numerous sources, including, among others, employee misconduct, security breaches, compliance failures, litigation or regulatory outcomes or governmental investigations. Our reputation could also be harmed by the failure or perceived failure of an affiliate or a vendor or other third party with which we do business, to comply with laws or regulations. In addition, our reputation or prospects could be significantly damaged by adverse publicity or negative information regarding the Company, whether or not true, that may be posted on social media, non-mainstream news services or other parts of the internet, and this risk can be magnified by the speed and pervasiveness with which information is disseminated through those channels.

Actions by the financial services industry generally or by certain members of or individuals in the industry can also affect our reputation. For example, the role played by financial services firms during and after the financial crisis, including concerns that consumers have been treated unfairly by financial institutions or that a financial institution had acted inappropriately with respect to the methods employed in offering products to customers, have damaged the reputation of the industry as a whole.

In addition, increased focus on environmental, social and governance ("ESG") issues, including without limitation the impact of climate change, could damage our reputation or prospects if customers, prospective customers, investors or third parties assigning ESG ratings to the Company are of the opinion that the Company's practices, including without limitation our lending practices, are not sufficiently robust from an ESG perspective.

Should any of these or other events or factors that can undermine our reputation occur, there is no assurance that the additional costs and expenses that we may need to incur to address the issues giving rise to the damage to our reputation would not adversely affect our earnings and results of operations, or that damage to our reputation will not impair our ability to retain our existing customers and employees or attract new customers and employees. Harm to our reputation or the reputation of our industry may also result in greater regulatory or legislative scrutiny, which may lead to changes in laws or regulations that could constrain our business or operations. Events that result in damage to our reputation may also increase our litigation risk.

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

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

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

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

Risks Related to Growth and Acquisitions

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

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

The Economic Growth Act could result in increased competition for merger or acquisition partners, potentially resulting in higher acquisition prices or an inability to complete desired acquisitions. In addition, the standards by which bank and financial institution acquisitions will be evaluated are currently in flux and some banking organizations are experiencing delays in the processing of applications. In July 2021, President Biden issued an executive order on competition that requires the banking agencies to review the standards for bank mergers and the DOJ has announced that it is reviewing its bank merger guidelines. It is expected that these reviews will tighten the standards for bank mergers and may change how the financial stability factor is evaluated. In addition, some members of Congress have called for a moratorium of any bank merger and acquisition of greater than $100 billion in assets. While the Company is still much smaller in asset size than $100 billion, we cannot exclude the possibility that we may be subject to higher antitrust standards, enhanced scrutiny under the financial stability risk factor, or have a potential acquisition denied.

Acquiring other banks, businesses or branches involves various risks commonly associated with acquisitions, including, among other things:

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

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

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

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

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

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

Our financial results have been and will continue to be impacted by our strategy of branch openings and de novo bank formations. We expect to increase the opening of additional branches and may, under certain circumstances, resume de novo bank formations. It may take longer than expected or more than the amount of time Wintrust has historically experienced for new banks and/or banking facilities to reach profitability, and there can be no guarantee that these branches or banks will ever be profitable. Moreover, the FDIC's enhanced supervisory period for de novo banks of three years, including higher capital requirements during this period, could also delay a new bank's ability to contribute to the Company's earnings and impact the Company's willingness to expand through de novo bank formation. To the extent we undertake additional de novo bank, branch and business formations, our level of reported net income, return on average equity and return on average assets will be impacted by startup costs associated with such operations, and it is likely to continue to experience the effects of higher expenses relative to operating income from the new operations. These expenses may be higher than we expected or than our experience has shown, which could have a material adverse effect on our business, financial condition and results of operations.

Legal and Regulatory Risks

If we fail to meet our regulatory capital ratios, we may be forced to raise capital or sell assets.

As a banking institution, we are subject to regulations that require us to maintain certain capital ratios, such as the ratio of our Tier 1 capital to our risk-based assets, and in recent years these regulatory and market expectations have increased substantially. If our regulatory capital ratios decline, as a result of decreases in the value of our loan portfolio or otherwise, we may be required to improve such ratios by either raising additional capital or by disposing of assets. If we choose to dispose of assets, we cannot be certain that we will be able to do so at prices that we believe to be appropriate, and our future operating results could be negatively affected. If we choose to raise additional capital, we may accomplish this by selling additional shares of common stock, or securities convertible into or exchangeable for common stock, which could significantly dilute the ownership percentage of holders of our common stock and cause the market price of our common stock to decline. Additionally, events or circumstances in the capital markets generally may increase our capital costs and impair our ability to raise capital at any given time.

Changes in the United States' monetary policy may restrict our ability to conduct our business in a profitable manner.

Our ability to profitably operate is dependent, in part, upon federal fiscal policies that cannot be predicted. We are particularly affected by the monetary policies of the Federal Reserve, which influence money supply in the United States. Any change in the United States' monetary policy, or worsening federal budgetary pressures, could affect our access to capital. Additionally, any trend toward inflation, economic decline, destabilizing of financial markets, or other factors beyond our control may significantly affect consumer demand for our products and consumers' ability to repay loans, reducing our results of operations. We cannot predict the nature or timing of future changes in monetary policies in response to the outbreak, or in a response to what is being characterized as a current inflationary environment, or the precise effects that future changes in monetary policies may have on our activities and financial results.

Legislative and regulatory actions taken now or in the future regarding the financial services industry may significantly increase our costs or limit our ability to conduct our business in a profitable manner.

We are subject to extensive federal and state regulation and supervision. The cost of compliance with such laws and regulations can be substantial and adversely affect our ability to operate profitably. While we are unable to predict the scope or impact of any potential legislation or regulatory action until it becomes final, it is possible that changes in applicable laws, regulations or interpretations thereof could significantly increase our regulatory compliance costs, impede the efficiency of our internal business processes, negatively impact the recoverability of certain of our recorded assets, require us to increase our regulatory capital, interfere with our executive compensation plans, or limit our ability to pursue business opportunities in an efficient manner including our plan for de novo growth and growth through acquisitions.

Both the scope of the laws and regulations and the intensity of the supervision to which our business is subject have increased in recent years, in response to the financial crisis as well as other factors such as technological and market changes. For example, as cybersecurity and data privacy risks for banking organizations and the broader financial system have significantly increased in recent years, cybersecurity and data privacy issues have become the subject of increasing legislative and regulatory focus. For example, in June of 2018, the Governor of California signed into law the CCPA. The CCPA, which became effective on January 1, 2020, applies to for-profit businesses that conduct business in California and meet certain revenue or data collection thresholds. For more information regarding data privacy laws and regulations, see "Protection of Client Information" under Supervision and Regulation in Item 1.

Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes have occurred as a result of the Dodd-Frank Act and its implementing regulations, most of which are now in place. We expect that our business will remain subject to extensive regulation and supervision.

In addition, we expect that the Biden Administration and the Democratically-controlled Congress will continue to seek to implement a regulatory reform agenda that is significantly different than that of the Trump Administration. This reform agenda could include a heightened focus on the regulation of loan portfolios and credit concentrations to borrowers impacted by climate change, heightened scrutiny on Bank Secrecy Act and anti-money laundering requirements, topics related to social equity, executive compensation, and increased capital and liquidity, as well as limits on share buybacks and dividends. In addition, mergers and acquisitions could be dampened by increased antitrust scrutiny. We also expect reform proposals for the short-term wholesale markets. At this time, we are unable to assess which, if any of these policies, would be implemented and what their impact on the Company's business, financial condition or results of operations would be.

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

The CFPB has broad rulemaking authority over a wide range of federal consumer protection laws applicable to the business of our subsidiary banks and some other operating subsidiaries, including the authority to prohibit “unfair, deceptive or abusive” acts and practices, but examination and supervision of our subsidiary banks is carried out by the primary federal banking agency and, where applicable, the state banking agency. Consumer protection is an area of heightened regulatory focus, and the CFPB has promulgated a number of specific regulatory requirements in this area. These rules have increased and may further increase the costs of doing business for all market participants, including our subsidiaries.

In particular, the mortgage-related rules issued by the CFPB have materially restructured the origination, servicing and securitization of residential mortgages in the United States. These rules have impacted, and will continue to impact, the business practices of mortgage lenders, including the Company. For example, in order to ensure compliance with mortgage-related rules issued by the CFPB, the Company consolidated its consumer mortgage loan origination and loan servicing operations within Wintrust Mortgage.

In the wake of the mortgage crisis of 2007-2008, the CFPB and federal and state banking agencies are closely examining the mortgage and mortgage servicing activities of depository financial institutions. Should these or other agencies have serious concerns with respect to our operations in this regard, the effect of such concerns could have a material adverse effect on our profits.

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

Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered “predatory.” These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. The CFPB has promulgated many mortgage-related rules since it was established under the Dodd-Frank Act, including rules relating to the ability to repay loans and relating to qualified mortgage standards. Most of these mortgage-related rules have been adopted, although portions of certain of these rules have not yet become effective. In addition, several proposed revisions to mortgage-related rules are pending finalization. We may find it necessary to tighten our mortgage loan underwriting standards in response to the CFPB rules, which may constrain our ability to make loans consistent with our business strategies. It is our policy not to make predatory loans and to determine borrowers' ability to repay, but the law and related rules create the potential for increased liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans and cause us to reduce the average percentage rate or the points and fees on loans that we do make. In addition, regulation related to redlining, fair lending, CRA compliance and BSA compliance create significant burdens which necessitate increased costs. Any failure to comply with any of these regulations could have a significant impact on our ability to operate, our ability to acquire or open new banks and/or result in meaningful fines.

Regulatory initiatives regarding bank capital requirements may require heightened capital.

The U.S. Basel III Rule, as well as other aspects of current or proposed regulatory or legislative changes to laws applicable to banking organizations, have increased our compliance costs, impacted the profitability of our business activities and may change certain of our business practices, including the ability to offer new products, obtain financing, attract deposits, make loans, and achieve satisfactory interest spreads, and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect our business, financial condition and results of operations.

Our ability to engage in capital distributions, including paying dividends or repurchasing stock, may be restricted if we do not maintain the required Capital Conservation Buffer. In addition, we anticipate that our pro forma capital ratios will be an important factor considered by the Federal Reserve in evaluating whether proposed payments of dividends or stock repurchases are consistent with its prudential expectations. For more information regarding capital requirements, see “Capital Requirements of the Company and Subsidiary Banks” under Supervision and Regulation in Item 1.

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

Insured institution failures leading up to and following the financial crisis, as well as deterioration in banking and economic conditions, significantly increased FDIC loss provisions, resulting in a decline of its deposit insurance fund to historical lows at the peak of the crisis. In response, the Dodd-Frank Act and FDIC regulations changed the assessment base for federal deposit insurance from the amount of insured deposits to average total consolidated assets less average tangible capital, eliminated the maximum size of the DIF, eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds, and increased the minimum reserve ratio of the DIF from 1.15% to 1.35%. These developments also caused our FDIC insurance premiums to increase. There is a risk that the banks' deposit insurance premiums will increase in the future if failures of insured depository institutions once again deplete the DIF. Any such increase may negatively impact our financial condition and results of operations.

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

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

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

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

We are subject to examinations and challenges by tax authorities that may impact our financial results.

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

Changes in federal and state tax laws and changes in interpretation of existing laws can impact our financial results.

The federal government enacted the Tax Cuts and Jobs Act (the “Tax Act”) on December 22, 2017, and given the changing economic and political environment and ongoing budgetary pressures, the enactment of further new federal or state tax legislation may occur. The enactment of such legislation, or changes in the interpretation of existing law, including provisions impacting tax rates, apportionment, consolidation or combination, income, expenses, credits and exemptions may have a material adverse effect on our business, financial condition and results of operations.

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

Our accounting policies are fundamental to understanding our financial results and financial condition. Some of these policies require use of estimates and assumptions that affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses. From time to time, the FASB and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes, such as the CECL standard adopted on January 1, 2020, can be hard to predict and could materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

Changes in U.S. trade policies, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition and results of operations.

There continues to be discussion and dialogue in the U.S. government regarding potential changes to U.S. trade policies, legislation, treaties and tariffs, including trade policies and tariffs affecting other countries, including China, the European Union, Canada and Mexico and retaliatory tariffs by such countries. Tariffs and retaliatory tariffs have been imposed, and additional tariffs and retaliatory tariffs have been proposed. Such tariffs, retaliatory tariffs or other trade restrictions on products and materials that our customers import or export could cause the prices of our customers’ products to increase, which could reduce demand for such products, or reduce our customers’ margins, and adversely impact their revenues, financial results and ability to service debt. This in turn, could adversely affect our financial condition and results of operations. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, results of operations and financial condition could be materially and adversely impacted. It remains unclear what the U.S. government or foreign governments will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies. It is also unclear what changes, if any, to U.S. trade policy will be made by the Biden Administration and Congress, particularly in light of the mid-term elections in 2022.

On October 1, 2018, the United States, Canada and Mexico agreed to a new trade deal, the United States-Mexico-Canada Agreement (“USMCA”) to replace the North American Free Trade Agreement. On January 29, 2020, then-President Trump signed the USMCA into law. The full impact of the USMCA on us, our customers and on the economic conditions in the markets in which we operate is currently unknown. Changes to the terms upon which the United States, Mexico and Canada trade could negatively affect our customers or the U.S. economy or certain sectors thereof and, thus, adversely impact our business, financial condition and results of operations.

Risks Related to Lending Operations

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

We maintain an allowance for credit losses that is intended to absorb expected lifetime credit losses related to our loan portfolio, off-balance sheet credit exposures and held-to-maturity debt securities portfolio. At each balance sheet date, our management determines the amount of the allowance for credit losses based on our estimate of expected credit losses over the life of the related asset with consideration of historical credit losses, current economic conditions and reasonable and supportable forecasts.

Because our allowance for credit losses represents an estimate of lifetime losses, there is no certainty that it will be adequate over time to cover credit losses in the portfolios, particularly if there are changes in expectations of general economic or market conditions, or events that adversely affect specific customers. In 2021, we charged off $21.5 million in loans (net of recoveries) and decreased our allowance for credit losses from $379.9 million at December 31, 2020 to $299.7 million at December 31, 2021. Our allowance for loan and unfunded lending-related commitment losses represents 0.86% and 1.18% of total loans outstanding at December 31, 2021 and 2020, respectively.

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

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

As a participating lender in the SBA Paycheck Protection Program (“PPP”), the Company and its banks are subject to additional risks of litigation from the banks’ customers or other parties regarding the banks’ processing of loans for the PPP and risks that the SBA may not fund some or all PPP loan guaranties.

From April 3, 2020 through the end of the program in the second quarter of 2021, we originated over 19,400 PPP loans with a carrying balance totaling approximately $4.8 billion. As of December 31, 2021, the carrying balance of such loans was reduced to approximately $558.3 million primarily resulting from forgiveness by the SBA. The PPP program expired on May 31, 2021.

Since the launch of the PPP, several other larger banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP, as well as litigation regarding the alleged nonpayment of fees that may be due to certain agents who facilitated PPP loan applications. Although many of these lawsuits have subsequently been dismissed, the Company and the banks may be exposed to the risk of litigation, from both customers and non-customers that approached the banks regarding PPP loans, regarding its process and procedures used in processing applications for the PPP. If any such litigation is filed against the Company or its banks and is not resolved in a manner favorable to the Company or the banks, such litigation may result in significant financial liability or adversely affect the Company’s reputation. The Company and one of its banks were named as defendants in a putative class action, which has been dismissed with prejudice, regarding the alleged nonpayment of agency fees.

Regardless of outcome, litigation can be costly and divert the Company’s attention and resources. Any financial liability, litigation costs or reputational damage caused by PPP related litigation could have a material adverse impact on our business, financial condition and results of operations.

PPP loans are fixed, low interest rate loans that are guaranteed by the SBA and subject to numerous other regulatory requirements, and a borrower may apply to have all or a portion of the loan forgiven. If PPP borrowers fail to qualify for loan forgiveness, banks face a heightened risk of holding these loans at unfavorable interest rates for an extended period of time. While the PPP loans are guaranteed by the SBA, various regulatory requirements will apply to banks’ ability to seek recourse under the guarantees, and related procedures are subject to uncertainty.

Participating banks also have credit risk with respect to PPP loans if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by the banks, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which a PPP loan was originated, funded, or serviced by the Company, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from the Company.

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

The repayment of our commercial loans is dependent upon the financial success and viability of the borrower. If the economy weakens for a prolonged period or experiences deterioration or if the industry or market in which the borrower operates weakens, our borrowers may experience depressed or dramatic and sudden decreases in revenues that could hinder their ability to repay their loans. Excluding PPP loans that include a guarantee from the SBA, our commercial loan portfolio totaled $11.3 billion or 33% of our total loan portfolio, at December 31, 2021, compared to $9.2 billion, or 29% of our total loan portfolio, at December 31, 2020.

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

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

As of both December 31, 2021 and 2020, approximately 34% and 36%, respectively, of our total loan portfolio was secured by real estate, the majority of which is commercial real estate. The commercial and residential real estate market continues to experience a variety of difficulties, including the Chicago metropolitan area and southern Wisconsin, in which a majority of our real estate loans are concentrated. Increases in commercial and consumer delinquency levels or declines in real estate market values would require increased net charge-offs and increases in the allowance for loan and lease losses, which could have a material adverse effect on our business, financial condition and results of operations.

Events impacting collateral consisting of real property could lead to additional losses which could have a material adverse effect on our financial condition and results of operations.

Many of the loans in our portfolio are secured by real estate located in the Chicago metropolitan area. Any declines in economic conditions, including inflation, recession, unemployment, changes in securities markets or other factors impacting these local markets could, in turn, have a material adverse effect on our financial condition and results of operations. Deterioration in the real estate markets where collateral for our mortgage loans is located could adversely affect the borrower's ability to repay the loan and the value of the collateral securing the loan, and in turn the value of our assets. In addition, any natural disasters or severe weather events have the potential to damage our real estate collateral. Climate change could have an impact on longer-term natural weather trends and increase the occurrence and severity of such adverse weather events.

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

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

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

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

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

Risks Related to Our Niche Businesses

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

We provide financing for the payment of property and casualty insurance premiums and life insurance premiums on a national basis through FIRST Insurance Funding and Wintrust Life Finance, respectively, and financing for the payment of property and casualty insurance premiums in Canada through our wholly-owned subsidiary, FIFC Canada. Property and casualty insurance premium finance loans involve a different, and possibly higher, risk of delinquency or collection than life insurance premium finance loans and the loan portfolios of our bank subsidiaries because these loans are issued primarily through relationships with a large number of unaffiliated insurance agents and because the borrowers are located nationwide. As a result, risk management and general supervisory oversight may be difficult. As of December 31, 2021, we had $4.9 billion of property and casualty insurance premium finance loans outstanding, of which $4.2 billion related to the Company's U.S. operations at FIRST Insurance Funding and $677.0 million related to the Company's Canadian operations at FIFC Canada. Together, these loans represented 14% of our total loan portfolio as of such date.

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

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

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

While FIRST Insurance Funding and Wintrust Life Finance are licensed as required and carefully monitor compliance with regulation of each of their businesses, there can be no assurance that either will not be negatively impacted by material changes in the regulatory environment. FIFC Canada is not required to be licensed in most provinces of Canada, but there can be no assurance that future regulations which impact the business of FIFC Canada will not be enacted.

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

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

FIRST Insurance Funding, Wintrust Life Finance and FIFC Canada's premium finance loans are primarily secured by the insurance policies financed by the loans. These insurance policies are written by a large number of insurance companies geographically dispersed throughout the country. Our premium finance receivables balances finance insurance policies that are spread among a large number of insurers, however, the top three insurers represents approximately 14%, 6% and 5% of such balances. FIRST Insurance Funding, Wintrust Life Finance and FIFC Canada consistently monitor carrier ratings and financial performance of our carriers. While FIRST Insurance Funding, Wintrust Life Finance and FIFC Canada can mitigate its risks as a result of this monitoring to the extent that commercial or life insurance providers experience widespread difficulties or credit downgrades, the value of our collateral will be reduced. FIRST Insurance Funding, Wintrust Life Finance and FIFC Canada are also subject to the possibility of insolvency of insurance carriers in the commercial and life insurance businesses that are in possession of our collateral. If one or more large nationwide insurers were to fail, the value of our portfolio could be significantly negatively impacted. A significant downgrade in the value of the collateral supporting our premium finance business could impair our ability to create liquidity for this business, which, in turn could negatively impact our ability to expand.

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

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

Risks Related to Financial Strength and Liquidity

Changes in prevailing interest rates could adversely affect our net interest income, which is our largest source of income.

We are exposed to interest rate risk in our core banking activities of lending and deposit taking, since changes in prevailing interest rates affect the value of our assets and liabilities. Such changes may adversely affect our net interest income, which is the difference between interest income and interest expense. Our net interest income is affected by the fact that assets and liabilities reprice at different times and by different amounts as interest rates change. Net interest income represents our largest component of net income, and was $1.1 billion and $1.0 billion for the years ended December 31, 2021 and 2020, respectively.

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

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

In response to the economic consequences of the COVID-19 pandemic, the Federal Reserve lowered its target for the federal funds rate to a range of 0% to 0.25%. While interest rates remain low, the Federal Reserve is expected to begin raising interest rates during 2022. We cannot predict the nature or timing of future changes in monetary policies or the precise effects that they may have on our activities and financial results.

We seek to mitigate our interest rate risk through several strategies, which may not be successful. With the relatively low interest rates that prevailed in recent years, we were able to augment the total return of our investment securities portfolio by selling call options on fixed-income securities that we own. We recorded fee income of approximately $3.7 million, $2.3 million and $3.7 million for the years ended December 31, 2021, 2020 and 2019, respectively. We also mitigate our interest rate risk by entering into interest rate swaps and other interest rate derivative contracts from time to time with counterparties. To the extent that the market value of any derivative contract moves to a negative market value, we are subject to loss if the counterparty defaults. In the future, there can be no assurance that such mitigation strategies will be available or successful or that we will be successful in implementing any new mitigation strategies necessary to address the current rising interest rate environment. In addition, transactions entered into as part of mitigation strategies employed to mitigate risks associated with a prolonged low interest rate environment could be less beneficial or result in losses if interest rates continue to rise.

Our liquidity position may be negatively impacted if economic conditions do not improve or if they decline.

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

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

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

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

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

If our credit rating is lowered, our financing costs could increase.

As of December 31, 2021, we have been rated by Fitch Ratings as "BBB+" and DBRS as "A (low)". A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.

Our creditworthiness is not fixed and should be expected to change over time as a result of company performance and industry conditions. We cannot give any assurances that our credit ratings will remain at current levels, and it is possible that our ratings could be lowered or withdrawn by Fitch Ratings or DBRS. Any actual or threatened downgrade or withdrawal of our credit rating could affect our perception in the marketplace and our ability to raise capital, and could increase our debt financing costs.

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

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

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

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

The Company's available-for-sale debt and trading securities as well as certain equity securities are carried at fair value.

Accounting standards require the Company to categorize these securities according to a fair value hierarchy. As of December 31, 2021, approximately 96% of the Company's available-for-sale debt securities and equity securities with a readily determinable fair value were categorized in level 1 or 2 of the fair value hierarchy (meaning that their fair values were determined by unadjusted quoted prices in active markets for identical assets, quoted prices for similar assets or other observable inputs). Significant prolonged reduced investor demand could manifest itself in lower fair values for these securities and may result in recognition of an other-than-temporary or permanent impairment of available-for-sale debt securities and unrealized losses of equity securities with a readily determinable fair value recognized in earnings, which could lead to accounting charges and have a material adverse effect on the Company's financial condition and results of operations.

The remaining securities in our available-for-sale debt securities and equity securities with a readily determinable fair value portfolios were categorized as level 3 (meaning that their fair values were determined by inputs that are unobservable in the market and therefore require a greater degree of management judgment). The determination of fair value for securities categorized in level 3 involves significant judgment due to the complexity of factors contributing to the valuation, many of which are not readily observable in the market. In addition, the nature of the business of the third party source that is valuing the securities at any given time could impact the valuation of the securities. Consequently, the ultimate sales price for any of these securities could vary significantly from the recorded fair value at December 31, 2021, especially if the security is sold during a period of illiquidity or market disruption or as part of a large block of securities under a forced transaction.

There can be no assurance that decline in market value of available-for-sale debt securities and equity securities with a readily determinable fair value associated with these disruptions will not result in credit or permanent impairments, and unrealized losses, respectively, of these assets, which would lead to accounting charges which could have a material negative effect on our business, financial condition and results of operations.

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

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

Uncertainty about the future of LIBOR may adversely affect our business.

We have derivative contracts, borrowings, variable rate loans and other financial instruments with attributes that are either directly or indirectly dependent on the LIBOR. Central banks around the world, including the Federal Reserve, have commissioned committees and working groups of market participants and official sector representatives to replace LIBOR and replace or reform other interest rate benchmarks. The publication of most LIBOR rates ceased as of the end of December 2021. While certain U.S. dollar LIBOR tenors are expected to continue to be published until June 30, 2023, the U.S. banking agencies have encouraged banks to cease entering into new contracts referencing LIBOR no later than December 31, 2021. A transition away from the widespread use of LIBOR to alternative rates and other potential interest rate benchmark reforms has begun and will continue over the course of the next few years. These reforms may cause such rates to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted.

While there is no consensus on what rate or rates may become accepted alternatives to LIBOR, a group of market participants convened by the Federal Reserve, the Alternative Reference Rate Committee (“ARRC”), has selected the Secured Overnight Financing Rate (“SOFR”) as its recommended alternative to LIBOR. SOFR is a broad measure of the cost of overnight borrowings collateralized by Treasury securities that was selected due to the depth and robustness of the U.S. Treasury repurchase market. At this time, it is impossible to predict whether SOFR will become an accepted alternative to LIBOR. Further, the Bank of England has commenced publication of a reformed Sterling Overnight Index Average (“reformed SONIA”), comprised of a broader set of overnight Sterling money market transactions, as of April 23, 2018. Reformed SONIA has been recommended as the alternative to Sterling LIBOR by the Working Group on Sterling Risk-Free Reference Rates.

Although SOFR appears to be the preferred replacement rate for U.S dollar LIBOR, it is unclear if other benchmarks may emerge or if other rates will be adopted outside of the United States. We cannot predict what effect any such alternatives will have on the value of LIBOR-based securities or financial arrangements, including the Company's Series D Preferred Stock, junior subordinated debentures or other securities or financial arrangements, given LIBOR's role in determining market interest rates globally. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and other interest rates. In the event that a published LIBOR rate is unavailable after 2021, the dividend rate on the Company's Series D Preferred Stock, which currently is based on the LIBOR rate, will be determined as set forth in the accompanying offering documents, and the value of such securities may be adversely affected.

We anticipate significant operational challenges for the transition away from LIBOR including, but not limited to, amending existing loan agreements with borrowers on loans that may have not been modified with fallback language and adding effective fallback language to new agreements in the event that LIBOR is discontinued before maturity. In addition, the transition away from LIBOR could prompt inquiries or other actions from regulators in respect of the Company's preparation and readiness for the replacement of LIBOR with an alternative reference rate, as well as result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR-based contracts and securities. Currently, the manner and impact of this transition and related developments, as well as the effect of these developments on our funding costs, loan, derivative and investment portfolios, asset-liability management and business, is uncertain.

Risks Related to General Operations

Our controls and procedures may fail or be circumvented.

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

Our operational or security systems or infrastructure, or those of third parties, could fail or be breached, which could disrupt our business and adversely impact our results of operations, liquidity and financial condition, as well as cause legal or reputational harm.

The potential for operational risk exposure exists throughout our business and, as a result of our interactions with, and reliance on, third parties, is not limited to our own internal operational functions. Our operational and security systems and infrastructure, including our computer systems, data management, and internal processes, as well as those of third parties, are integral to our performance. We rely on our employees and third parties in our day-to-day and ongoing operations, who may, as a result of human error, misconduct, malfeasance or failure, or breach of our or of third-party systems or infrastructure, expose us to risk. For example, our ability to conduct business may be adversely affected by any significant disruptions to us or to third parties with whom we interact or upon whom we rely. In addition, our ability to implement backup systems and other safeguards with respect to third-party systems is more limited than with respect to our own systems. Our financial, accounting, data processing, backup or other operating or security systems and infrastructure may fail to operate properly or become disabled or damaged as a result of a number of factors, including events that are wholly or partially beyond our control, which could adversely affect our ability to process transactions or provide services. Such events may include sudden increases in customer transaction volume; electrical, telecommunications or other major physical infrastructure outages; natural disasters such as earthquakes, tornadoes, hurricanes and floods; disease pandemics; and events arising from local or larger scale political or social matters, including wars and terrorist acts. In addition, we may need to take our systems offline if they become infected with malware or a computer virus or as a result of another form of cyber-attack. In the event that backup systems are utilized, they may not process data as quickly as our primary systems and some data might not have been saved to backup systems, potentially resulting in a temporary or permanent loss of such data. We frequently update our systems to support our operations and growth and to remain compliant with all applicable laws, rules and regulations. This updating entails significant costs and creates risks associated with implementing new systems and integrating them with existing ones, including business interruptions. Implementation and testing of controls related to our computer systems, security monitoring and retaining and training personnel required to operate our systems also entail significant costs. Operational risk exposures could adversely impact our results of operations, liquidity and financial condition, as well as cause reputational harm. In addition, we may not have adequate insurance coverage to compensate for losses from a major interruption.

We face security risks, including denial of service attacks, hacking, social engineering attacks targeting our colleagues and customers, malware intrusion and data corruption attempts, in addition to the resulting identity theft that could result in the disclosure of confidential information, all of which could adversely affect our business or reputation, and create significant legal and financial exposure.

Our computer systems and network infrastructure and those of third parties, on which we are highly dependent, are subject to security risks and could be susceptible to cyberattacks, such as denial of service attacks, hacking, terrorist activities or identity theft. Our business relies on the secure processing, transmission, storage and retrieval of confidential, personal, proprietary and other information in our computer and data management systems and networks, and in the computer and data management systems and networks of third parties. In addition, to access our network, products and services, our customers and other third parties may use personal mobile devices or computing devices that are outside of our network environment and are subject to their own cybersecurity risks.

We, our customers, regulators and other third parties, including other financial services institutions and companies engaged in data processing, have been subject to, and are likely to continue to be the target of, cyber-attacks. These cyber-attacks include computer viruses, malicious or destructive code, phishing attacks, denial of service or information, ransomware, improper access by employees or vendors, attacks on personal email of employees, ransom demands to not expose security vulnerabilities in our systems or the systems of third parties or other security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of confidential, proprietary and other information of ours, our employees, our customers or of third parties, damage to our systems or other material disruption of our or our customers' or other third parties' network access or business operations. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities or incidents. Despite efforts to ensure the integrity of our systems and implement controls, processes, policies and other protective measures, we may not be able to anticipate all security breaches, nor may we be able to implement guaranteed preventive measures against such security breaches. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks and could be held liable for any security breach or loss.

Cybersecurity risks for banking organizations have significantly increased in recent years in part because of the proliferation of new technologies, and the use of the internet and telecommunications technologies to conduct financial transactions. For example, cybersecurity risks may increase in the future as we continue to increase our mobile-payment and other internet-based product offerings and expand our internal usage of web-based products and applications. In addition, cybersecurity risks have significantly increased in recent years in part due to the increased sophistication and activities of organized crime affiliates, terrorist organizations, hostile foreign governments, disgruntled employees or vendors, activists and other external parties, including those involved in corporate espionage. Even the most advanced internal control environment may be vulnerable to compromise. Targeted social engineering attacks and "spear phishing" attacks are becoming more sophisticated and are extremely difficult to prevent. In such an attack, an attacker will attempt to fraudulently induce colleagues, customers or other users of our systems to disclose sensitive information in order to gain access to its data or that of its clients. Persistent attackers may succeed in penetrating defenses given enough resources, time, and motive. The techniques used by cyber criminals change frequently and may not be recognized until launched or until well after a breach has occurred. The risk of a security breach caused by a cyber-attack at a vendor or by unauthorized vendor access has also increased in recent years. Additionally, the existence of cyber-attacks or security breaches at third-party vendors with access to our data may not be disclosed to us in a timely manner.

We also face indirect technology, cybersecurity and operational risks relating to the customers, clients and other third parties with whom we do business or upon whom we rely to facilitate or enable our business activities, including, for example, financial counterparties, regulators and providers of critical infrastructure such as internet access and electrical power. As a result of increasing consolidation, interdependence and complexity of financial entities and technology systems, a technology failure, cyber-attack or other information or security breach that significantly degrades, deletes or compromises the systems or data of one or more financial entities could have a material impact on counterparties or other market participants, including us. This consolidation, interconnectivity and complexity increases the risk of operational failure, on both individual and industry-wide bases, as disparate systems need to be integrated, often on an accelerated basis. Any third-party technology failure, cyber-attack or other information or security breach, termination or constraint could, among other things, adversely affect our ability to effect transactions, service our clients, manage our exposure to risk or expand our business.

Cyber-attacks or other information or security breaches, whether directed at us or third parties, may result in a material loss or have material consequences. Furthermore, the public perception that a cyber-attack on our systems has been successful, whether or not this perception is correct, may damage our reputation with customers and third parties with whom we do business. Hacking of personal information and identity theft risks, in particular, could cause serious reputational harm. A successful penetration or circumvention of system security could cause us serious negative consequences, including our loss of customers and business opportunities, significant disruption to our operations and business, misappropriation or destruction of our confidential information and/or that of our customers, or damage to our or our customers' and/or third parties' computers or systems, and could result in a violation of applicable privacy laws and other laws, litigation exposure, regulatory fines, penalties or intervention, remediation costs, loss of confidence in our security measures, reputational damage, reimbursement or other compensatory costs, remediation costs, additional compliance costs, and could adversely impact our results of operations, liquidity and financial condition.

Our vendors may be responsible for failures that adversely affect our operations.

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

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

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

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

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

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

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

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

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

Our business could be adversely affected by the occurrence of extraordinary events, such as acts of war, terrorist attacks, natural disasters and public health threats.

An act of war, terrorist activity, including acts of domestic terrorism, a major epidemic or pandemic, natural disaster, or the threat of such an event or other public health threat, could adversely affect our customers and our business. Such events could significantly impact the demand for our products and services as well as the ability of our customers to repay loans, affect the stability of our deposit base, impair the value of the collateral securing loans, adversely impact our employee base, cause significant property damage, result in loss of revenue, and cause us to incur additional expenses. Additionally, financial markets may be adversely affected by the current or anticipated impact of military conflict, including escalating military tension between Russia and Ukraine, terrorism or other geopolitical events. The occurrence or threat of any such extraordinary event could result in a material negative effect on our business and results of operations.

Risks Related to Ownership of Our Common Stock

Anti-takeover provisions could negatively impact our shareholders.

Certain provisions of our articles of incorporation, by-laws and Illinois law may have the effect of impeding the acquisition of control of Wintrust by means of a tender offer, a proxy fight, open-market purchases or otherwise in a transaction not approved by our board of directors. For example, our board of directors may issue additional authorized shares of our capital stock to deter future attempts to gain control of Wintrust, including the authority to determine the terms of any one or more series of preferred stock, such as voting rights, conversion rates and liquidation preferences. As a result of the ability to fix voting rights for a series of preferred stock, the board has the power, to the extent consistent with its fiduciary duty, to issue a series of preferred stock to persons friendly to management in order to attempt to block a merger or other transaction by which a third party seeks control, and thereby assist the incumbent board of directors and management to retain their respective positions. In addition, our articles of incorporation expressly elect to be governed by the provisions of Section 7.85 of the Illinois Business Corporation Act, which would make it more difficult for another party to acquire us without the approval of our board of directors.

The ability of a third party to acquire us is also limited under applicable banking regulations. The BHC Act requires any “bank holding company” (as defined in the BHC Act) to obtain the approval of the Federal Reserve prior to acquiring more than 5% of our outstanding common stock. Any person other than a bank holding company is required to obtain prior approval of the Federal Reserve to acquire 10% or more of our outstanding common stock under the Change in Bank Control Act of 1978. Any holder of 25% or more of our outstanding common stock, other than an individual, is subject to regulation as a “bank holding company” under the BHC Act. For purposes of calculating ownership thresholds under these banking regulations, bank regulators would generally take the position that the maximum number of shares of Wintrust common stock that a holder is entitled to receive pursuant to securities convertible into or settled in Wintrust common stock, including pursuant to any warrants to purchase Wintrust common stock held by such holder, must be taken into account in calculating a shareholder's aggregate holdings of Wintrust common stock.

These provisions may have the effect of discouraging a future takeover attempt that is not approved by our board of directors but which our individual shareholders may deem to be in their best interests or in which our shareholders may receive a substantial premium for their shares over then-current market prices. As a result, shareholders who might desire to participate in such a transaction may not have an opportunity to do so. Such provisions will also render the removal of our current board of directors or management more difficult.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's executive offices are located at 9700 W. Higgins Road, Rosemont, Illinois as well as additional nearby corporate office locations at 9701 W. Higgins Road, Rosemont, Illinois and 9801 W. Higgins Road, Rosemont, Illinois. The Company also leases office locations and retail space at 231 S. LaSalle Street in downtown Chicago and at 731 N. Jackson Street in downtown Milwaukee. The Company's community banking segment operates through 173 banking facilities, the majority of which are owned. The Company owns 228 automatic teller machines, the majority of which are housed at banking locations. The banking facilities are located in communities throughout the Chicago metropolitan area, southern Wisconsin and northwest Indiana as well as one banking location in Naples, Florida. Excess space in certain properties is leased to third parties. Wintrust Mortgage, also of our banking segment, is headquartered in our corporate headquarters in Rosemont, Illinois and has 40 locations in 11 states, all of which are leased, as well as office locations at several of our banks.

The Company's wealth management subsidiaries has one location in downtown Chicago, one in Appleton, Wisconsin, and one in Tampa, Florida, all of which are leased, as well as office locations at several of our banks. FIRST Insurance Funding and Wintrust Life Finance have one location in Northbrook, Illinois which is owned and locations in downtown Newark, New Jersey, Long Island, New York and Newport Beach, California, all of which are leased. FIFC Canada has three locations in Canada that are leased, located in Toronto, Ontario; Wainwright, Alberta; and Vancouver, British Columbia. Wintrust Asset Finance is located in our corporate headquarters in Rosemont, Illinois and has locations in Frisco, Texas, Mishawaka, Indiana, and Irvine, California, all of which are leased. Tricom has one location in Menomonee Falls, Wisconsin which is owned. In addition, the Company owns other real estate acquired for further expansion that, when considered in the aggregate, is not material to the Company's financial position.

ITEM 3. LEGAL PROCEEDINGS

The information required by this item is set forth in Part II, Item 8, Financial Statements and Supplementary Data, under Note 20, "Commitments and Contingencies".

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

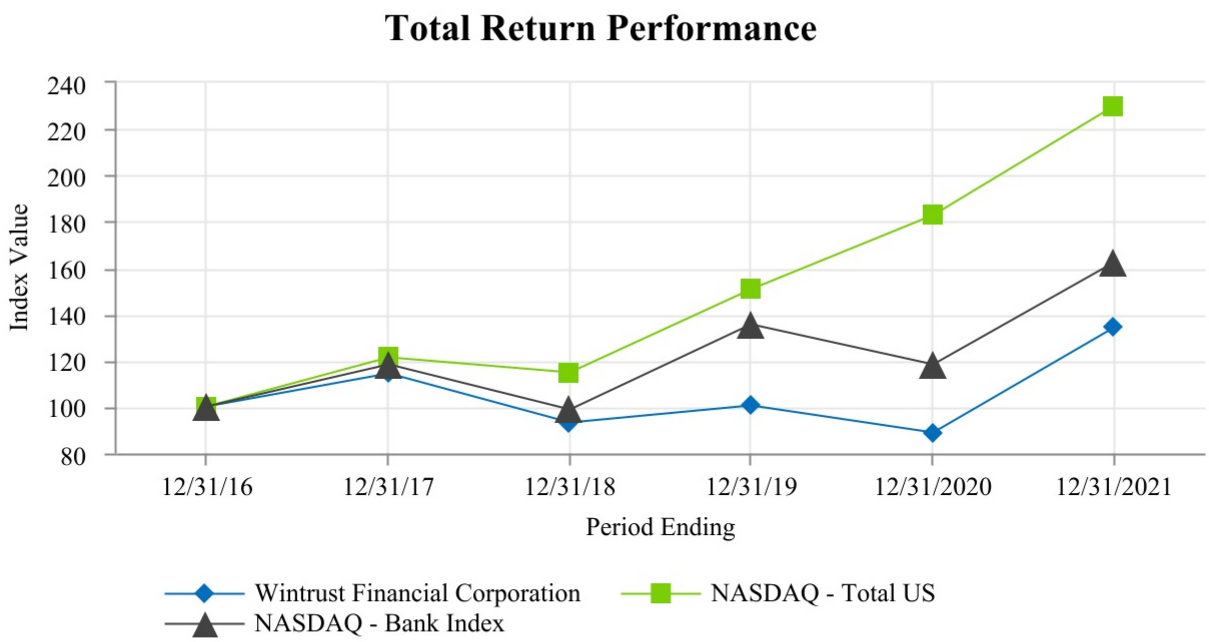
ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company’s common stock is traded on The NASDAQ Global Select Stock Market under the symbol WTFC.

Performance Graph

The following performance graph compares the five-year percentage change in the Company’s cumulative shareholder return on common stock compared with the cumulative total return on composites of (1) all NASDAQ Global Select Market stocks for United States companies (broad market index) and (2) all NASDAQ Global Select Market bank stocks (peer group index). Cumulative total return is computed by dividing the sum of the cumulative amount of dividends for the measurement period and the difference between the Company’s share price at the end and the beginning of the measurement period by the share price at the beginning of the measurement period. The NASDAQ Global Select Market for United States companies’ index comprises all domestic common shares traded on the NASDAQ Global Select Market and the NASDAQ Small-Cap Market. The NASDAQ Global Select Market bank stocks index comprises all banks traded on the NASDAQ Global Select Market and the NASDAQ Small-Cap Market.

This graph and other information furnished in the section titled “Performance Graph” under this Part II, Item 5 of this Annual Report on Form 10-K shall not be deemed to be “soliciting” materials or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Exchange Act, as amended.



	2016	2017	2018	2019	2020	**2021**
Wintrust Financial Corporation	100.00	114.36	93.14	100.75	88.89	**134.32**
NASDAQ — Total US	100.00	121.38	114.78	150.55	182.57	**229.84**
NASDAQ — Bank Index	100.00	118.39	98.98	135.78	118.40	**162.58**

Approximate Number of Equity Security Holders

As of February 10, 2022, there were approximately 1,659 shareholders of record of the Company’s common stock.

Dividends on Common Stock

The Company’s Board of Directors approved the first semi-annual dividend on the Company’s common stock in January 2000 and continued to approve a semi-annual dividend until quarterly dividends were approved starting in 2014. The payment of dividends is subject to statutory restrictions and restrictions arising under the terms of the Company's Fixed-to-Floating Non-Cumulative Perpetual Preferred Stock, Series D (the “Series D Preferred Stock”), the terms of the Company’s Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series E (the “Series E Preferred Stock”), the terms of the Company’s Trust Preferred Securities offerings and under certain financial covenants in the Company’s revolving and term facilities. Under the terms of these separate revolving and term facilities entered into on September 18, 2018, the Company is prohibited from paying dividends on any equity interests, including its common stock and preferred stock, if such payments would cause the Company to be in default under its facilities or exceed a certain threshold.

The following is a summary of the cash dividends paid in 2021 and 2020:

Record Date	Payable Date	Dividend per Share
November 11, 2021	November 26, 2021	$0.31
August 5, 2021	August 19, 2021	$0.31
May 6, 2021	May 20, 2021	$0.31
February 11, 2021	February 25, 2021	$0.31
November 12, 2020	November 27, 2020	$0.28
August 6, 2020	August 20, 2020	$0.28
May 7, 2020	May 21, 2020	$0.28
February 6, 2020	February 20, 2020	$0.28

On January 27, 2022, Wintrust Financial Corporation announced that the Company’s Board of Directors approved a quarterly cash dividend of $0.34 per share of outstanding common stock. The dividend was paid on February 24, 2022 to shareholders of record as of February 10, 2022.

The final determination of timing, amount and payment of dividends is at the discretion of the Company's Board of Directors and will depend on the Company's earnings, financial condition, capital requirements and other relevant factors. Because the Company’s consolidated net income consists largely of net income of the banks and certain wealth management subsidiaries, the Company’s ability to pay dividends generally depends upon its receipt of dividends from these entities. The Company's and the banks’ ability to pay dividends is subject to banking laws, regulations and policies. See “Supervision and Regulation - Payment of Dividends and Share Repurchases” in Item 1 of this Annual Report on Form 10-K. During 2021, 2020 and 2019, the banks and certain wealth management subsidiaries paid $145.0 million, $253.0 million and $139.0 million, respectively, in dividends to the Company.

Reference is also made to Note 19 to the Consolidated Financial Statements, and “Liquidity and Capital Resources” contained in Item 7 of this Annual Report on Form 10-K for a description of the restrictions on the ability of certain subsidiaries to transfer funds to the Company in the form of dividends.

Issuer Purchases of Equity Securities

Our previously authorized share repurchase program permitted the repurchase of up to $125 million of our common stock. On October 28, 2021, the Board of Directors of the Company authorized the repurchase of up to $200 million of the Company's outstanding shares of common stock. This authorization is incremental to the remaining authorization of approximately $23 million under the previous program, which the Board approved in 2019. The repurchase authorization does not have an expiration date. In 2021, the Company repurchased approximately $9.5 million of the Company's common stock on the open market.

The table below provides information of such repurchases by month in 2021.

Month Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs (in thousands)
January 1, 2021 to January 31, 2021	—	$ —	—	$ 32,944
February 1, 2021 to February 28, 2021	—	—	—	32,944
March 1, 2021 to March 31, 2021	—	—	—	32,944
April 1, 2021 to April 30, 2021	—	—	—	32,944
May 1, 2021 to May 31, 2021	—	—	—	32,944
June 1, 2021 to June 30, 2021	—	—	—	32,944
July 1, 2021 to July 31, 2021	40,000	70.93	40,000	30,107
August 1, 2021 to August 31, 2021	94,062	71.25	94,062	23,405
September 1, 2021 to September 30, 2021	—	—	—	23,405
October 1, 2021 to October 31, 2021 (1)	—	—	—	223,405
November 1, 2021 to November 30, 2021 (1)	—	—	—	223,405
December 1, 2021 to December 31, 2021 (1)	—	—	—	223,405
Total	**134,062**	**$ 71.16**	**134,062**	**$ 223,405**

(1) Maximum dollar value that may yet be purchased includes the October 28, 2021 increase in authorization.

ITEM 6. [Reserved]

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

The following discussion highlights the significant factors affecting the operations and financial condition of Wintrust for the three years ended December 31, 2021. The detailed financial discussion focuses on 2021 results compared to 2020. This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto within this Annual Report on Form 10-K.

For a discussion of 2020 results compared to 2019, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Wintrust Annual Report on Form 10-K for the year ended December 31, 2020 filed on February 26, 2021.

OPERATING SUMMARY

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

	Years Ended December 31,			Percentage % or Basis Point (bp) Change	Percentage % or Basis Point (bp) Change
(Dollars in thousands, except per share data)	**2021**	2020	2019	**2020 to 2021**	2019 to 2020
Net income	**$ 466,151**	$ 292,990	$ 355,697	**59%**	(18)%
Pre-tax income, excluding provision for credit losses (non-GAAP) (2)	**578,533**	604,001	533,965	**(4)**	13
Net income per common share — Diluted	**7.58**	4.68	6.03	**62**	(22)
Net revenue (1)	**1,711,077**	1,644,096	1,462,091	**4**	12
Net interest income	**1,124,957**	1,039,907	1,054,919	**8**	(1)
Net interest margin	**2.57 %**	2.72 %	3.45 %	**(15) bp**	(73) bp
Net interest margin - fully taxable-equivalent (non-GAAP) (2)	**2.58**	2.73	3.47	**(15)**	(74)
Net overhead ratio (3)	**1.17**	1.05	1.57	**12**	(52)
Non-interest income to average assets	**1.25**	1.46	1.23	**(21)**	23
Non-interest expense to average assets	**2.42**	2.51	2.79	**(9)**	(28)
Return on average assets	**1.00**	0.71	1.07	**29**	(36)
Return on average common equity	**11.27**	7.50	10.41	**377**	(291)
Return on average tangible common equity (non-GAAP) (2)	**13.83**	9.54	13.22	**429**	(368)
At end of period					
Total assets	**$ 50,142,143**	$ 45,080,768	$ 36,620,583	**11%**	23%
Total loans, excluding loans held-for-sale	**34,789,104**	32,079,073	26,800,290	**8**	20
Total deposits	**42,095,585**	37,092,651	30,107,138	**13**	23
Total shareholders' equity	**4,498,688**	4,115,995	3,691,250	**9**	12
Average loans to average deposits ratio	**84.7 %**	88.8 %	91.4 %	**(410) bp**	(260) bp
Book value per common share (2)	**$ 71.62**	$ 65.24	$ 61.68	**10%**	6%
Tangible book value per common share (non-GAAP) (2)	**59.64**	53.23	49.70	**12**	7
Market price per common share	**90.82**	61.09	70.90	**49**	(14)
Allowance for loan and unfunded lending-related commitment losses to total loans	**0.86 %**	1.18 %	0.59 %	**(32) bp**	59 bp
Non-performing loans to total loans	**0.21**	0.40	0.44	**(19)**	(4)

(1) *Net revenue is net interest income plus non-interest income.*
(2) *See "Non-GAAP Financial Measures/Ratios" for additional information on this performance measure/ratio.*
(3) *The net overhead ratio is calculated by netting total non-interest expense and total non-interest income and dividing by that period's total average assets. A lower ratio indicates a higher degree of efficiency.*

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

NON-GAAP FINANCIAL MEASURES/RATIOS

The accounting and reporting policies of Wintrust conform to generally accepted accounting principles ("GAAP") in the United States and prevailing practices in the banking industry. However, certain non-GAAP performance measures and ratios are used by management to evaluate and measure the Company's performance. These include taxable-equivalent net interest income (including its individual components), taxable-equivalent net interest margin (including its individual components), the taxable-equivalent efficiency ratio, tangible common equity ratio, tangible book value per common share, return on average tangible common equity and pre-tax income, excluding provision for credit losses. Management believes that these measures and ratios provide users of the Company's financial information a more meaningful view of the performance of the Company's 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 using tax rates effective as of the end of the period. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a FTE basis is also used in the calculation of the Company's efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce one dollar of revenue. Securities gains or losses are excluded from this calculation to better match revenue from daily operations to operational expenses. Management considers the tangible common equity ratio and tangible book value per common share as useful measurements of the Company's equity. The Company references the return on average tangible common equity as a measurement of profitability. Management considers pre-tax income, excluding provision for credit losses, as a useful measurement of the Company's core net income.

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

	Years Ended December 31,		
(Dollars and shares in thousands, except per share data)	**2021**	2020	2019
Reconciliation of Non-GAAP Net Interest Margin and Efficiency Ratio:			
(A) Interest Income (GAAP)	**$ 1,275,484**	$ 1,293,020	$ 1,385,142
Taxable-equivalent adjustment:			
-Loans	**1,627**	2,241	3,935
-Liquidity management assets	**1,972**	2,165	2,280
-Other earning assets	**2**	9	9
(B) Interest Income (non-GAAP)	**$ 1,279,085**	$ 1,297,435	$ 1,391,366
(C) Interest Expense (GAAP)	**150,527**	253,113	330,223
(D) Net Interest Income (GAAP) (A minus C)	**1,124,957**	1,039,907	1,054,919
(E) Net interest Income (non-GAAP) (B minus C)	**1,128,558**	1,044,322	1,061,143
Net interest margin (GAAP)	**2.57 %**	2.72 %	3.45 %
Net interest margin, fully taxable equivalent (non-GAAP)	**2.58**	2.73	3.47
(F) Non-interest income	**$ 586,120**	$ 604,189	$ 407,172
(G) (Losses) gains on investment securities, net	**(1,059)**	(1,926)	3,525
(H) Non-interest expense	**1,132,544**	1,040,095	928,126
Efficiency ratio (H/(D+F-G))	**66.15 %**	63.19 %	63.63 %
Efficiency ratio (non-GAAP) (H/(E+F-G))	**66.01**	63.02	63.36
Reconciliation of Non-GAAP Tangible Common Equity Ratio:			
Total shareholders' equity (GAAP)	**$ 4,498,688**	$ 4,115,995	$ 3,691,250
Less: Non-convertible preferred stock (GAAP)	**(412,500)**	(412,500)	(125,000)
Less: Goodwill and other intangible assets (GAAP)	**(683,456)**	(681,747)	(692,277)
(I) Total tangible common shareholders' equity (non-GAAP)	**$ 3,402,732**	$ 3,021,748	$ 2,873,973
(J) Total assets (GAAP)	**$ 50,142,143**	$ 45,080,768	$ 36,620,583
Less: Goodwill and other intangible assets (GAAP)	**(683,456)**	(681,747)	(692,277)
(K) Total tangible assets (non-GAAP)	**$ 49,458,687**	$ 44,399,021	$ 35,928,306
Common equity to assets ratio (GAAP) (L/J)	**8.1 %**	8.2 %	9.7 %
Tangible common equity ratio (non-GAAP) (I/K)	**6.9**	6.8	8.0
Reconciliation of Non-GAAP Tangible Book Value per Common Share:			
Total shareholders' equity (GAAP)	**$ 4,498,688**	$ 4,115,995	$ 3,691,250
Less: Non-convertible preferred stock (GAAP)	**(412,500)**	(412,500)	(125,000)
(L) Total common equity	**$ 4,086,188**	$ 3,703,495	$ 3,566,250
(M) Actual common shares outstanding	**57,054**	56,770	57,822
Book value per common share (L/M)	**$ 71.62**	$ 65.24	$ 61.68
Tangible book value per common share (Non-GAAP) (I/M)	**59.64**	53.23	49.70
Reconciliation of Non-GAAP Return on Average Tangible Common Equity:			
(N) Net income applicable to common shares	**$ 438,187**	$ 271,613	$ 347,497
Add: Intangible asset amortization	**7,734**	11,018	11,844
Less: Tax effect of intangible asset amortization	**(2,080)**	(2,732)	(3,068)
After-tax intangible asset amortization	**5,654**	8,286	8,776
(O) Tangible net income applicable to common shares (non-GAAP)	**$ 443,841**	$ 279,899	$ 356,273
Total average shareholders' equity	**$ 4,300,742**	$ 3,926,688	$ 3,461,535
Less: Average preferred stock	**(412,500)**	(306,455)	(125,000)
(P) Total average common shareholders' equity	**$ 3,888,242**	$ 3,620,233	$ 3,336,535
Less: Average intangible assets	**(678,739)**	(686,064)	(641,802)
(Q) Total average tangible common shareholders' equity (non-GAAP)	**$ 3,209,503**	$ 2,934,169	$ 2,694,733
Return on average common equity (N/P)	**11.27 %**	7.50 %	10.41 %
Return on average tangible common equity (non-GAAP) (O/Q)	**13.83**	9.54	13.22
Reconciliation of Non-GAAP Pre-Tax, Pre- Provision Income:			
Income before taxes	**$ 637,796**	$ 389,781	$ 480,101
Add: Provision for credit losses	**(59,263)**	214,220	53,864
Pre-tax income, excluding provision for credit losses (non-GAAP)	**$ 578,533**	$ 604,001	$ 533,965

OVERVIEW AND STRATEGY

Impact of COVID-19

In March 2020, the outbreak of COVID-19 was recognized as a global pandemic by the World Health Organization, resulting in unprecedented uncertainty and volatility in world-wide financial markets. Governments' actions calling for shelter in place and social distancing have led to rapid changes in business revenues, increased unemployment, and have impacted consumer activity, all of which have impacted the Company. Although vaccines and related boosters are now being widely distributed, the COVID-19 pandemic, including the emergence of subsequent variant strains of the virus, may continue to impact the Company's future results.

The Company activated its pandemic response plan in early March 2020, as well as applicable elements of its business continuity plan. In order to protect the health of our customers and employees, and in accordance with applicable government directives, we modified certain of our business protocols to direct employees to work from home unless their role required them to be on site, in which case we have implemented enhanced safety measures including social distancing, enhanced cleaning and sanitization, and certain personal protective equipment. With the phased reopening of certain state and municipal areas, the Company implemented a comprehensive plan that permits certain remote employees to return to their respective workplaces, where enhanced safety measures also have been implemented. At present, however, the majority of the Company’s workforce continues to work remotely on a nearly daily basis.

On March 27, 2020, the CARES Act was enacted. The CARES Act includes appropriations and other measures designed to address the impact of the COVID-19 pandemic, including the Paycheck Protection Program (“PPP”), which is designed to aid eligible small and medium-sized businesses through federally-guaranteed loans distributed through certain banks, under the administration of the Small Business Administration (“SBA”). From the date the Company began accepting applications, April 3, 2020, through June 30, 2021, the Company secured authorization from the SBA and funded over 19,400 PPP loans with a carrying balance of approximately $4.8 billion. PPP loans are forgivable under certain circumstances, including the borrower’s use of certain loan proceeds to fund employee payroll during a specific period (e.g., eight weeks, 24 weeks) following disbursement of the borrower’s PPP loan. From the loans originated under the program, the Company generated net fees of $146.0 million to be recognized over the life of the PPP loans adjusted for estimated prepayments. As of December 31, 2021, the carrying balance of such loans was reduced to approximately $558.3 million primarily resulting from forgiveness by the SBA.

All of our three primary business segments (community banking, specialty finance and wealth management), have been uniquely impacted and we expect will continue to be impacted by the COVID-19 pandemic, requiring the implementation of certain responses as circumstances evolve. As non-exclusive examples of such impacts, our community banking business, including our mortgage business, has received borrower requests for temporary payment relief including payment deferrals. As of December 31, 2021, outstanding loans totaling approximately $44.3 million were modified as a result of COVID-19 disruption to our borrowers. Our insurance premium finance business was impacted by certain state legislation prohibiting canceling of insurance policies for designated periods. Our wealth management business is impacted by increased stock market volatility.

Given the continued uncertainty regarding future economic conditions, the Company has taken a number of actions to help ensure that it has adequate liquidity and capital to manage through the COVID-19 pandemic, including issuing fixed-rate reset non-cumulative perpetual preferred stock, Series E, liquidation preference $25,000 per share (the “Series E Preferred Stock”) as part of a public offering of depositary shares, each representing a 1/1,000th interest in a share of Series E Preferred Stock (the “Depositary Shares”). We believe the Company currently has adequate liquidity and capital to manage through any continued impacts of the COVID-19 pandemic, including future variants of concern. However, we will continue to prudently evaluate liquidity sources.

We continue to monitor the impact of COVID-19 closely; however, the extent to which the COVID-19 pandemic will impact our operations and financial conditions remains highly uncertain. Please refer to Part I, Item 1A, “Risk Factors” of this Form 10-K for additional information.

2021 Highlights

The Company recorded net income of $466.2 million for the year of 2021 compared to $293.0 million and $355.7 million for the years of 2020 and 2019, respectively. The results for 2021 demonstrate increased net interest income primarily due to significant growth in earning assets as well as negative provision for credit losses primarily due to improvement of forecasted macroeconomic conditions used in the measurement of the allowance for credit losses, partially offset by reduced mortgage banking revenue primarily due to lower mortgage originations and lower production margins during the year.

The Company increased its loan portfolio from $32.1 billion at December 31, 2020 to $34.8 billion at December 31, 2021. This increase was primarily due to growth in several portfolios, including the commercial, industrial and other (excluding PPP loans), commercial real estate, property and casualty premium finance receivables and life insurance premium finance receivables portfolios. For more information regarding changes in the Company’s loan portfolio, see “Analysis of Financial Condition – Interest Earning Assets” and Note 4 “Loans” to the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K.

The Company recorded net interest income of $1.1 billion in 2021 compared to $1.0 billion and $1.1 billion in 2020 and 2019, respectively. The higher level of net interest income recorded in 2021 compared to 2020 resulted primarily from a $5.5 billion increase in average earning assets, partially offset by a 15 basis point decline in the net interest margin in 2021 (see “Net Interest Margin” section later in this Item 7 for further detail).

Non-interest income totaled $586.1 million in 2021, decreasing $18.1 million, or 3%, compared to 2020. The decrease in non-interest income in 2021 compared to 2020 was primarily attributable to decreases in mortgage banking revenues due to origination volumes declining from historically elevated levels experienced in 2021 as well as declines in margins earned on sales (see “Non-Interest Income” section later in this Item 7 for further detail).

Non-interest expense totaled $1.1 billion in 2021, increasing $92.4 million, or 9%, compared to 2020. The increase compared to 2020 was primarily attributable to a $65.6 million increase in salaries and employee benefits, a $19.0 million increase in software and equipment expense and an $11.0 million increase in advertising and marketing expense. The increase in salaries and employee benefits was primarily attributable to higher commissions and incentive compensation due to higher expenses associated with the Company's long term incentive program (see “Non-Interest Expense” section later in this Item 7 for further detail).

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during 2021, the Company continued its practice of maintaining appropriate funding capacity to provide the Company with adequate liquidity for its ongoing operations. In this regard, the Company benefited from its strong deposit base, a liquid short-term investment portfolio and its access to funding from a variety of external funding sources. The Company had overnight liquid funds and interest-bearing deposits with banks of $5.8 billion and $5.1 billion at December 31, 2021 and 2020, respectively.

Economic Environment

The economic environment in 2021 was characterized by continued compression in net interest margin, improved economic forecasts and, for banks, the associated impact on the allowance for credit losses as well as continued competition as banks have experienced improvements in their financial condition allowing them to be more active in the lending market. The Company has employed certain strategies to manage net income in the current rate environment, including those discussed below.

Net Interest Income

The Company has leveraged its operating strengths as well as its participation in PPP to grow its earning assets base, mitigating continued compression in net interest margin in 2021. In 2021, the Company's net interest margin decreased to 2.57% (2.58% on a fully tax-equivalent basis) as compared to 2.72% (2.73% on a fully tax-equivalent basis) in 2020, primarily due to a shift in earning asset mix in 2021 with increasing levels of lower yielding liquidity management assets as well as lower yields on the Company’s loan portfolio. Despite the reduced net interest margin, significant growth in earning assets resulted in the Company’s net interest income increasing by $85.1 million in 2021 compared to 2020. In 2021, the Company maintained its asset sensitive interest rate position in anticipation of short term interest rates increases. Based on modeled contractual cash flows, including prepayment assumptions, approximately 80% of our current loan balances are projected to reprice or mature in 2022.

The Company has continued its practice of writing call options against certain investment securities to economically hedge the securities positions and receive fee income to compensate for net interest margin compression. In 2021, the Company recognized $3.7 million in fees on covered call options compared to $2.3 million in 2020.

The Company utilizes “back to back” interest rate derivative transactions, primarily interest rate swaps, to receive floating rate interest payments related to customer loans. In these arrangements, the Company makes a floating rate loan to a borrower who prefers to pay a fixed rate. To accommodate the risk management strategy of certain qualified borrowers, the Company enters a swap with its borrower to effectively convert the borrower's variable rate loan to a fixed rate. However, in order to minimize the Company's exposure on these transactions and continue to receive a floating rate, the Company simultaneously executes an offsetting mirror-image swap with various third parties.

Non-Interest Income

The interest rate environment impacts the profitability and mix of the Company's mortgage banking business which generated revenues of $273.0 million in 2021 and $346.0 million in 2020, representing 16% and 21% of total net revenue in 2021 and 2020, respectively. Mortgage banking revenue is primarily comprised of gains on sales of mortgage loans originated for new home purchases as well as mortgage refinancing. Mortgage revenue is also impacted by changes in the fair value of mortgage servicing rights (“MSRs”). Mortgage originations for sale and purchases totaled $6.8 billion and $8.0 billion in 2021 and 2020, respectively. In 2021, approximately 45% of originations were mortgages associated with new home purchases, while 55% of originations were related to refinancing of mortgages. In 2020, approximately 35% of originations were mortgages associated with new home purchases, while 65% of originations were related to refinancing of mortgages.

Non-Interest Expense

Management believes expense management is important to enhance profitability amid the low interest rate environment and increased competition. Cost control and an efficient infrastructure should position the Company appropriately as it continues its growth strategy. Management continues to be disciplined in its approach to growth and plans to leverage the Company's existing expense infrastructure to expand its presence in existing and complimentary markets. Potentially impacting the cost control strategies discussed above, the Company anticipates increased costs resulting from the regulatory environment in which we operate as well as continued investment in technology.

Credit Quality

The Company continues to actively address non-performing assets and remains disciplined in its approach to grow without sacrificing asset quality.

In particular:

- The Company’s 2021 provision for credit losses, totaled $(59.3) million, compared to $214.2 million in 2020 and $53.9 million in 2019. The negative provision in 2021 was primarily the result of improvements in the forecasted macroeconomic forecast, specifically the Company’s macroeconomic forecasts of key model inputs (most notably, Commercial Real Estate Price Index and Baa corporate credit spreads) as well as improvements in characteristics of the Company's loan portfolios. Net charge-offs decreased to $21.5 million in 2021 (of which $20.2 million related to commercial and commercial real estate loans), compared to $40.3 million in 2020 (of which $27.3 million related to commercial and commercial real estate loans) and $49.5 million in 2019 (of which $35.9 million related to commercial and commercial real estate loans).

- The Company's allowance for loan and unfunded lending-related commitment losses decreased to $299.7 million at December 31, 2021, reflecting a decrease of $80.3 million, or 21%, when compared to 2020. At December 31, 2021, approximately $144.6 million, or 48%, of the allowance for loan and unfunded lending-related commitment losses was associated with commercial real estate loans and an additional $119.3 million, or 40%, was associated with commercial loans.

- The Company has significant exposure to commercial real estate. At December 31, 2021, $9.0 billion, or 26%, of our loan portfolio was commercial real estate, with approximately 78.9% located in our market area. The commercial real estate loan portfolio was comprised of $1.4 billion in construction and development loans, and $7.6 billion in non-construction loans. In analyzing the commercial real estate market, the Company does not rely upon the assessment of broad market statistical data, in large part because the Company’s market area is diverse and covers many communities, each of which is impacted differently by economic forces affecting the Company’s general market area. As such, the extent of the decline in real estate valuations can vary meaningfully among the different types of commercial and other real estate loans made by the Company. The Company uses its multi-chartered structure and local management knowledge to analyze and manage the local market conditions at each of its banks.

- Total non-performing loans (loans on non-accrual status and loans more than 90 days past due and still accruing interest) were $74.4 million (of which $21.7 million, or 29%, was related to commercial real estate) at December 31, 2021, a decrease of $53.1 million compared to December 31, 2020. Non-performing loans as a percentage of total loans were 0.21% at December 31, 2021 compared to 0.40% at December 31, 2020.

- The Company's other real estate owned decreased by $12.3 million to $4.3 million during 2021, from $16.6 million at December 31, 2020. The $4.3 million of other real estate owned as of December 31, 2021 was comprised of $3.0 million of commercial real estate property and $1.3 million of residential real estate property.

During 2021, management continued its efforts to aggressively resolve problem loans through liquidation, rather than retention of loans or real estate acquired as collateral through the foreclosure process. Management believes these actions will serve the Company well in the future by providing some protection for the Company from further valuation deterioration and permitting management to spend less time on resolution of problem loans and more time on growing the Company's core business and the evaluation of other opportunities.

Management continues to direct significant attention toward the prompt identification, management and resolution of problem loans. The Company has restructured certain loans by providing economic concessions to borrowers to better align the terms of their loans with their current ability to pay. At December 31, 2021, approximately $49.3 million in loans had terms modified representing troubled debt restructurings ("TDRs"), with $37.5 million of these TDRs continuing in accruing status. See Note 5, "Allowance for Credit Losses," to the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K for additional discussion of TDRs.

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. The Company's practice is generally not to retain long-term fixed-rate mortgages on its balance sheet in order to mitigate interest rate risk, and consequently sells most of such mortgages into the secondary market. These agreements provide recourse to investors through certain representations concerning credit information, loan documentation, collateral and insurability. Investors request the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. An increase in requests for loss indemnification can negatively impact mortgage banking revenue as additional recourse expense. The liability for estimated losses on repurchase and indemnification claims for residential mortgage loans previously sold to investors was $675,000 at December 31, 2021 and $779,000 at December 31, 2020.

Community Banking

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

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

Funding mix and related costs. The most significant source of funding in community banking is core deposits, which are comprised of non-interest bearing deposits, non-brokered interest-bearing transaction accounts, savings deposits and domestic time deposits. Our branch network is the principal source of core deposits, which generally carry lower interest rates than wholesale funds of comparable maturities. Community banking profitability has been favorably impacted in recent years as the Company funded strong loan growth with a more desirable blend of funds.

Measurement of the allowance for credit losses. The Company adopted CECL as of January 1, 2020, which requires the estimate of expected credit losses over the entire life of financial assets measured at amortized cost. To measure lifetime expected credit losses, the Company adjusts credit loss estimates for reasonable and supportable forecasts of macroeconomic conditions. Such forecasts can significantly impact the profitability of our community banks as changing estimates of lifetime losses from period to period can result in significant fluctuations in provision for credit losses during those periods. In 2021, such fluctuations in provision for credit losses favorably impacted the profitability of our community banks, primarily as a result of improvements in expectations during the period of macroeconomic conditions resulting from COVID-19.

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

Mortgage banking revenue. Our community banking franchise is also influenced by the level of fees generated by the origination of residential mortgages and the sale of such mortgages into the secondary market by Wintrust Mortgage. The Company recognized a decrease of $73.0 million in mortgage banking revenue in 2021 compared to 2020 as origination volumes declined from historically elevated levels experienced in 2020 and margins on sales declined in 2021 compared to 2020. Mortgage originations for sale totaled $6.8 billion and $8.0 billion in 2021 and 2020, respectively, decreasing as rising interest rates began to reduce refinance incentives for borrowers. Partially offsetting the impact of lower originations and production margins was growth in servicing fee income and the value of the Company's Mortgage Servicing Rights ("MSR") asset as the portfolio of loans serviced for others has continued to grow.

Expansion of banking operations. Our historical financial performance has been affected by costs associated with growing market share in deposits and loans, establishing and acquiring banks, opening new branch facilities and building an experienced management team. Our financial performance generally reflects the improved profitability of our banking subsidiaries as they mature, offset by the costs of establishing and acquiring banks and opening new branch facilities.

In determining the timing of the opening of additional branches of existing banks, and the acquisition of additional banks, we consider many factors, particularly our perceived ability to obtain an adequate return on our invested capital driven largely by the then existing cost of funds and lending margins, the general economic climate and the level of competition in a given market. See discussion of acquisition activity in the "Recent Acquisition Transactions" section below.

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

Specialty Finance

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

Financing of Commercial Insurance Premiums

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

Financing of Life Insurance Premiums

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

Wealth Management

We offer a full range of wealth management services including trust and investment services, tax-deferred like-kind exchange services, asset management solutions, securities brokerage services, and 401(k) and retirement plan services through four separate subsidiaries (Wintrust Investments, CTC, Great Lakes Advisors and CDEC).

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

Financial Regulatory Reform

Our business is heavily regulated by both federal and state agencies. Both the scope of the laws and regulations and the intensity of the supervision to which our business is subject have increased in recent years, in response to the financial crisis as well as other factors such as technological and market changes. Many of these changes have occurred as a result of the Dodd-Frank Act and its implementing regulations, most of which are now in place. While the regulatory environment has entered a period of rebalancing of the post financial crisis framework, we expect that our business will remain subject to extensive regulation and supervision.

The exact impact of the changing regulatory environment on our business and operations depends upon legislative or regulatory changes to reform the financial regulatory framework and the actions of our competitors, customers, and other market participants. Legislative and regulatory changes could have a significant impact on us by, for example, requiring us to change our business practices; requiring us to meet more stringent capital, liquidity and leverage ratio requirements; limiting our ability to pursue business opportunities; imposing additional costs and compliance obligations on us; limiting fees we can charge for services; impacting the value of our assets; or otherwise adversely affecting our businesses and our earnings' capabilities. We have already experienced significant increases in compliance related costs in recent years, and we are now subject to more stringent risk-based capital and leverage ratio requirements than we were prior to the adoption of the U.S. Basel III Rules. We are also now subject to many mortgage-related rules promulgated by the CFPB that materially restructured the origination, services and securitization of residential mortgages in the United States. We will continue to monitor the impact that the implementation of applicable rules, regulations and policies arising out of any legislative or regulatory changes may have on our organization. For further discussion of the laws and regulations applicable to us and our subsidiary banks, please refer to "Business-Supervision and Regulation."

Recent Transactions

Insurance Agency Loan Portfolio

On November 15, 2021, the Company completed its acquisition of certain assets from The Allstate Corporation ("Allstate"). Through this business combination, the Company acquired approximately $581.6 million of loans, net of allowance for credit losses measured on the acquisition date. The loan portfolio was comprised of approximately 1,800 loans to Allstate agents nationally. In addition to acquiring the loans, the Company became the national preferred provider of loans to Allstate agents. In connection with the loan acquisition, a team of Allstate agency lending specialists joined the Company, to augment and expand Wintrust's existing insurance agency finance business. As the transaction was determined to be a business combination, the Company recorded goodwill of approximately $9.3 million on the purchase.

Wisconsin Branch Sale

On April 23, 2021 the Company completed the sale of three branches located in Albany, Darlington and Monroe, Wisconsin to Greenwoods Financial Group, Inc., the parent company of The Greenwoods State Bank ("Greenwoods"), for $81.3 million. Greenwoods assumed approximately $77.5 million of deposits and acquired the branch facilities and various other assets.

Other Completed Transactions

Series E Preferred Stock

In May 2020, the Company issued 11,500 shares of fixed-rate reset non-cumulative perpetual preferred stock, Series E, liquidation preference $25,000 per share (the “Series E Preferred Stock”) as part of a $287.5 million public offering of 11,500,000 depositary shares, each representing a 1/1,000th interest in a share of Series E Preferred Stock. When, as and if declared, dividends on the Series E Preferred Stock are payable quarterly in arrears at a fixed rate of 6.875% per annum from October 15, 2020 to, but excluding, July 15, 2025, and from (and including) July 15, 2025 at a floating rate equal to the Five-Year Treasury Rate (as defined in the certificate of designations for the Series E Preferred Stock) plus 6.507%.

SUMMARY OF CRITICAL ACCOUNTING ESTIMATES

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

A summary of the Company’s significant accounting policies is presented in Note 1 to the Consolidated Financial Statements in Item 8. These policies, along with the disclosures presented in the other financial statement notes and in this Management’s Discussion and Analysis section, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting estimates 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 views critical accounting estimates to include the determination of the allowance for credit losses, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available.

Allowance for Credit Losses, including the Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Allowance for Held-to-Maturity Debt Securities

The allowance for credit losses represents management’s estimate of expected credit losses over the life of a financial asset carried at amortized cost. Determining the amount of the allowance for credit losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the fair value of the underlying collateral and amount and timing of expected future cash flows on individually assessed financial assets, estimated credit losses on pools of loans with similar risk characteristics, and consideration of reasonable and supportable forecasts of macroeconomic conditions, all of which are susceptible to significant change. The loan and held-to-maturity debt securities portfolios represent 75% of total assets on the Company’s consolidated balance sheet. The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit, which relates to certain amounts the Company is committed to lend (not unconditionally cancelable) but for which funds have not yet been disbursed. See Note 5, “Allowance for Credit Losses,” to the Consolidated Financial Statements in Item 8 and the section titled “Loan Portfolio and Asset Quality” in Item 7 for a description of the methodology used to determine the allowance for credit losses.

Estimations of Fair Value

A portion of the Company’s assets and liabilities are carried at fair value on the Consolidated Statements of Condition, with changes in fair value recorded either through earnings or other comprehensive income in accordance with applicable accounting principles generally accepted in the United States. These include the Company’s trading account securities, available-for-sale debt securities, equity securities with a readily determinable fair value, derivatives, mortgage loans held-for-sale, certain loans held-for-investment and mortgage servicing rights (“MSRs”). The determination of fair value is important for certain other assets, including goodwill and other intangible assets, loans individually assessed when measuring a related allowance for credit loss, and other real estate owned that are periodically evaluated for impairment using fair value estimates.

Fair value is generally defined as the amount at which an asset or liability could be exchanged in a current transaction between willing, unrelated parties, other than in a forced or liquidation sale. Fair value is based on quoted market prices in an active market, or if market prices are not available, is estimated using models employing techniques such as matrix pricing or discounting expected cash flows. The significant assumptions used in the models, which include assumptions for interest rates, discount rates, prepayments and credit losses, are independently verified against observable market data where possible. Where observable market data is not available, the estimate of fair value becomes more subjective and involves a high degree of judgment. In this circumstance, fair value is estimated based on management's judgment regarding the value that market participants would assign to the asset or liability. This valuation process takes into consideration factors such as market illiquidity. Imprecision in estimating these factors can impact the amount recorded on the balance sheet for a particular asset or liability with related impacts to earnings or other comprehensive income. See Note 22, "Fair Value of Assets and Liabilities," to the Consolidated Financial Statements in Item 8 for a further discussion of fair value measurements.

Impairment Testing of Goodwill

The Company performs impairment testing of goodwill for each of its reporting units on an annual basis or more frequently when events warrant, using a qualitative or quantitative approach. Using a qualitative approach, the Company reviews any recent events or circumstances that would indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. These events and circumstances include the performance of the Company, the condition of the related industry in which the reporting unit operates and general economic environment and other factors. If the Company determines it is not more likely than not that there is impairment based on an evaluation of these events and circumstances, the Company may forgo the quantitative approach.

Using a quantitative approach, the Company compares each reporting unit's fair value to its carrying value. If the carrying value of a reporting unit was determined to have been higher than its fair value, the Company would measure and recognize an impairment loss for the amount by which the carrying value exceeds the fair value of the reporting unit. Any impairment loss would not exceed the total amount of goodwill allocated to the reporting unit. Valuations are estimated in good faith by management through the use of publicly available valuations of comparable entities and discounted cash flow models using internal financial projections in the reporting unit's business plan.

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

As of December 31, 2021, the Company had three reporting units: Community Banking, Specialty Finance and Wealth Management. Based on the Company's 2021 goodwill impairment testing, no goodwill impairment was indicated for any of the reporting units on their respective annual testing dates.

Derivative Instruments

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

Accounting for derivatives differs significantly depending on whether a derivative is designated as an accounting hedge, which is a transaction intended to reduce a risk associated with a specific asset or liability or future expected cash flow at the time it is purchased. In order to qualify as an accounting hedge, a derivative must be designated as such at inception by management and meet certain criteria. Management must also continue to evaluate whether the instrument effectively reduces the risk associated with that item. To determine if a derivative instrument continues to be an effective hedge, the Company must make assumptions and judgments about the continued effectiveness of the hedging strategies and the nature and timing of forecasted transactions. If the Company's hedging strategy were to become ineffective, hedge accounting would no longer apply and the reported results of operations or financial condition could be materially affected. See Note 21, "Derivative Financial Instruments," to the Consolidated Financial Statements in Item 8 for a further discussion of derivative accounting.

Income Taxes

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

On a quarterly basis, management assesses the reasonableness of its effective tax rate based upon its current best estimate of net income and the applicable taxes expected for the full year. Deferred tax assets and liabilities are reassessed on a quarterly basis, if business events or circumstances warrant. Additionally, any enactment of new tax rates requires the Company to re-measure its existing deferred tax assets and liabilities to reflect the new tax rate, with such adjustments recognized in current year earnings. See Note 17, "Income Taxes," to the Consolidated Financial Statements in Item 8 for a further discussion of income taxes.

CONSOLIDATED RESULTS OF OPERATIONS

The following discussion of Wintrust's results of operations requires an understanding that a majority of the Company's bank subsidiaries have been started as de novo banks since December 1991. Wintrust has a strategy of continuing to build its customer base and securing broad product penetration in each marketplace that it serves. The Company has expanded its banking franchise from three banks with five offices in 1994 to 15 banks with 173 offices at the end of 2021. FIRST Insurance Funding and Wintrust Life Finance have matured into separate divisions that generated, on a national basis, $11.3 billion in total premium finance receivables in 2021 within the United States. FIFC Canada, acquired in 2012, originated $1.5 billion in Canadian property and casualty premium finance receivables in 2021. The Company's leasing business increased its portfolio of assets, including direct financing leases, loans and equipment on operating leases, to $2.4 billion as of December 31, 2021. In addition, the wealth management companies have been building a team of experienced professionals who are located within a majority of the banks.

Earnings Summary

Net income for the year ended December 31, 2021, totaled $466.2 million, or $7.58 per diluted common share, compared to $293.0 million, or $4.68 per diluted common share, in 2020, and $355.7 million, or $6.03 per diluted common share, in 2019. During 2021, net income increased by $173.2 million and earnings per diluted common share increased by $2.90. Such increase in 2021 was primarily the result of net income in 2020 being significantly impacted by disruption from COVID-19. Net interest income increased in 2021 compared to 2020 primarily as a result of growth in average earning assets in 2021. This increase was partially offset by reduction in the net interest margin primarily due to a shift in earning asset mix in 2021 with increasing levels of lower yielding liquidity management assets as well as lower yields on the Company's loan portfolio. The Company's provision for credit losses decreased significantly in 2021 primarily due to improvement of forecasted macroeconomic conditions used in the measurement of the allowance for credit losses. Partially offsetting the increase to net income from higher net interest income and lower provisions for credit losses, mortgage banking revenue decreased in 2021 primarily as a result of the decrease in production revenue. The Company's mortgages originated for sale decreased in 2021 compared to 2020, primarily as a result of lower refinance production in 2021 as long-term interest rates stabilized compared to 2020.

Other items impacting net income in 2021 compared to 2020 include higher salaries and benefits to support growth in the Company, increased software and equipment expenses and higher advertising and marketing costs, partially offset by higher service charges on deposit accounts as the Company's deposit balances increased during the period and higher wealth management revenue.

Net Interest Income

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

Net interest income in 2021 totaled $1.12 billion, up from $1.04 billion in 2020 and up from $1.05 billion in 2019, representing an increase of $85.1 million, or 8%, in 2021 and a decrease of $15.0 million, or 1%, in 2020. The table presented later in this section, titled “Changes in Interest Income and Expense,” presents the dollar amount of changes in interest income and expense, by major category, attributable to changes in the volume of the balance sheet category and changes in the rate earned or paid with respect to that category of assets or liabilities for 2021 and 2020. Average earning assets increased $5.5 billion, or 14%, in 2021 and $7.7 billion, or 25%, in 2020. Loans are the most significant component of the earning asset base as they earn interest at a higher rate than the majority of other earning assets. Average loans increased $2.9 billion, or 10%, in 2021 and $5.2 billion, or 21%, in 2020. Total average loans as a percentage of total average earning assets were 75%, 79% and 82% in 2021, 2020 and 2019, respectively. The average yield on loans was 3.43% in 2021, 3.84% in 2020 and 4.93% in 2019, reflecting a decrease of 41 basis points in 2021 and a decrease of 109 basis points in 2020. The lower loan yields in 2021 compared to 2020 is primarily a result of the continued low interest rate environment during 2021. The average yield on liquidity management assets was 1.14% in 2021, 1.60% in 2020 and 2.79% in 2019, reflecting a decrease of 46 basis points in 2021 and a decrease of 119 basis points in 2020. The average rate paid on interest bearing deposits, the largest component of the Company’s interest-bearing liabilities, was 0.33% in 2021, 0.77% in 2020 and 1.35% in 2019, representing a decrease of 44 basis points in 2021 and a decrease of 58 basis points in 2020. The lower level of interest-bearing deposits rates in 2021 compared to 2020 is primarily due to downward re-pricing of time deposits as a result of declining interest rates. As a result of the above, net interest margin decreased to 2.57% (2.58% on a fully taxable-equivalent basis) in 2021 compared to 2.72% (2.73% on a fully taxable-equivalent basis) in 2020.

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

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

The following table sets forth the average balances, the interest earned or paid thereon, and the effective interest rate, yield or cost for each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2021, 2020 and 2019. The yields and costs include loan origination fees and certain direct origination costs that are considered adjustments to yields. Interest income on non-accruing loans is reflected in the year that it is collected, to the extent it is not applied to principal. Such amounts are not material to net interest income or the net change in net interest income in any year. Non-accrual loans are included in the average balances. Net interest income and the related net interest margin have been adjusted to reflect tax-exempt income, such as interest on municipal securities and loans, on a fully taxable-equivalent basis. This table should be referred to in conjunction with discussion of the financial condition and results of operations of the Company.

	Average Balance for the year ended December 31,			Interest for the year ended December 31,			Yield/Rate for the year ended December 31,		
(Dollars in thousands)	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Assets									
Interest-bearing deposits with banks, securities purchased under resale agreements and cash equivalents [1]	**$ 4,840,048**	$ 3,117,075	$ 1,494,418	**$ 6,779**	$ 8,655	$ 30,503	**0.14 %**	0.28 %	2.04 %
Investment securities	**4,779,313**	4,101,136	3,651,091	**97,258**	101,799	110,326	**2.03**	2.48	3.02
FHLB and FRB stock	**135,873**	130,360	96,924	**7,067**	6,891	5,416	**5.20**	5.29	5.59
Total liquidity management assets [2] [7]	**$ 9,755,234**	$ 7,348,571	$ 5,242,433	**$ 111,104**	$ 117,345	$ 146,245	**1.14 %**	1.60 %	2.79 %
Other earning assets [2] [3] [7]	**25,096**	17,863	16,385	**657**	523	714	**2.62**	2.94	4.36
Mortgage loans held-for-sale	**959,457**	707,147	308,645	**32,169**	20,077	11,992	**3.35**	2.84	3.89
Loans, net of unearned income [2] [4] [7]	**33,051,043**	30,181,204	24,986,736	**1,135,155**	1,159,490	1,232,415	**3.43**	3.84	4.93
Total earning assets [7]	**$ 43,790,830**	$ 38,254,785	$ 30,554,199	**$ 1,279,085**	$ 1,297,435	$ 1,391,366	**2.92 %**	3.39 %	4.55 %
Allowance for loan and investment security losses	**(284,163)**	(264,516)	(164,587)						
Cash and due from banks	**432,836**	341,116	292,807						
Other assets	**2,884,548**	3,039,954	2,549,664						
Total assets	**$ 46,824,051**	$ 41,371,339	$ 33,232,083						
Liabilities and Shareholders' Equity									
Deposits — interest-bearing:									
NOW and interest-bearing demand deposits	**$ 3,711,489**	$ 3,298,554	$ 2,903,441	**$ 3,178**	$ 7,642	$ 20,079	**0.09 %**	0.23 %	0.69 %
Wealth management deposits	**4,429,929**	3,882,975	2,761,936	**30,520**	29,277	31,121	**0.69**	0.75	1.13
Money market accounts	**10,051,444**	8,874,488	6,659,376	**10,606**	46,488	91,940	**0.11**	0.52	1.38
Savings accounts	**3,734,162**	3,354,662	2,834,381	**1,583**	12,507	20,975	**0.04**	0.37	0.74
Time deposits	**4,447,871**	5,142,938	5,467,192	**42,232**	93,264	114,777	**0.95**	1.81	2.10
Total interest-bearing deposits	**$ 26,374,895**	$ 24,553,617	$ 20,626,326	**$ 88,119**	$ 189,178	$ 278,892	**0.33 %**	0.77 %	1.35 %
FHLB advances	**1,236,478**	1,156,106	658,669	**19,581**	18,193	9,878	**1.58**	1.57	1.50
Other borrowings	**514,657**	496,693	428,834	**9,928**	12,773	13,897	**1.93**	2.57	3.24
Subordinated notes	**436,697**	436,275	309,178	**21,983**	21,961	15,555	**5.03**	5.03	5.03
Junior subordinated notes	**253,566**	253,566	253,566	**10,916**	11,008	12,001	**4.25**	4.27	4.67
Total interest-bearing liabilities	**$ 28,816,293**	$ 26,896,257	$ 22,276,573	**$ 150,527**	$ 253,113	$ 330,223	**0.52 %**	0.94 %	1.48 %
Non-interest-bearing deposits	**12,638,518**	9,432,090	6,711,298						
Other liabilities	**1,068,498**	1,116,304	782,677						
Equity	**4,300,742**	3,926,688	3,461,535						
Total liabilities and shareholders' equity	**$ 46,824,051**	$ 41,371,339	$ 33,232,083						
Interest rate spread [5] [7]							**2.40 %**	2.45 %	3.07 %
Less: fully taxable-equivalent adjustment				**$ (3,601)**	$ (4,415)	$ (6,224)	**(0.01)**	(0.01)	(0.02)
Net free funds/contribution [6]	**$ 14,974,537**	$ 11,358,528	$ 8,277,626				**0.18**	0.28	0.40
Net interest income/margin (GAAP) [7]				**$ 1,124,957**	$ 1,039,907	$ 1,054,919	**2.57 %**	2.72 %	3.45 %
Fully taxable-equivalent adjustment				**3,601**	4,415	6,224	**0.01**	0.01	0.02
Net interest income/margin fully taxable-equivalent (non-GAAP) [7]				**$ 1,128,558**	$ 1,044,322	$ 1,061,143	**2.58 %**	2.73 %	3.47 %

(1) *Includes interest-bearing deposits from banks and securities purchased under resale agreements with original maturities of greater than three months. Cash equivalents include federal funds sold and securities purchased under resale agreements with original maturities of three months or less.*

(2) *Interest income on tax-advantaged loans, trading securities and investment securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate in effect as of the applicable period. The total adjustments for the years ended December 31, 2021, 2020 and 2019 were $3.6 million, $4.4 million and $6.2 million, respectively.*

(3) *Other earning assets include brokerage customer receivables and trading account securities.*

(4) *Loans, net of unearned income, include non-accrual loans.*

(5) *Interest rate spread is the difference between the yield earned on earning assets and the rate paid on interest-bearing liabilities.*

(6) *Net free funds is the difference between total average earning assets and total average interest-bearing liabilities. The estimated contribution to net interest margin from net free funds is calculated using the rate paid for total interest-bearing liabilities.*

(7) *See "Non-GAAP Financial Measures/Ratios" for additional information on this performance ratio.*

Changes In Interest Income and Expense

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

	Years Ended December 31,					
	2021 Compared to 2020			2020 Compared to 2019		
(Dollars in thousands)	**Change Due to Rate**	**Change Due to Volume**	**Total Change**	Change Due to Rate	Change Due to Volume	Total Change
Interest income:						
Interest-bearing deposits with banks, securities purchased under resale agreements and cash equivalents [1]	**$ (5,490)**	**$ 3,614**	**$ (1,876)**	$ (38,831)	$ 16,983	$ (21,848)
Investment securities	**(19,787)**	**15,246**	**(4,541)**	(21,365)	12,838	(8,527)
FHLB and FRB stock	**(111)**	**287**	**176**	(307)	1,782	1,475
Total liquidity management assets	**$ (25,388)**	**$ 19,147**	**$ (6,241)**	$ (60,503)	$ 31,603	$ (28,900)
Other earning assets	**(60)**	**194**	**134**	(253)	62	(191)
Mortgage loans held-for-sale	**4,067**	**8,025**	**12,092**	(3,981)	12,066	8,085
Loans, net of unearned income	**(128,113)**	**103,778**	**(24,335)**	(307,777)	234,852	(72,925)
Total interest income	**$ (149,494)**	**$ 131,144**	**$ (18,350)**	$ (372,514)	$ 278,583	$ (93,931)
Interest Expense:						
Deposits — interest-bearing:						
NOW and interest-bearing demand deposits	**$ (5,085)**	**$ 621**	**$ (4,464)**	$ (16,264)	$ 3,827	$ (12,437)
Wealth management deposits	**(1,696)**	**2,939**	**1,243**	(14,082)	12,238	(1,844)
Money market accounts	**(40,971)**	**5,089**	**(35,882)**	(69,794)	24,342	(45,452)
Savings accounts	**(12,158)**	**1,234**	**(10,924)**	(11,884)	3,416	(8,468)
Time deposits	**(39,528)**	**(11,504)**	**(51,032)**	(15,227)	(6,286)	(21,513)
Total interest expense — deposits	**$ (99,438)**	**$ (1,621)**	**$ (101,059)**	$ (127,251)	$ 37,537	$ (89,714)
FHLB advances	**120**	**1,268**	**1,388**	482	7,833	8,315
Other borrowings	**(3,258)**	**413**	**(2,845)**	(3,157)	2,033	(1,124)
Subordinated notes	**—**	**22**	**22**	—	6,406	6,406
Junior subordinated notes	**(62)**	**(30)**	**(92)**	(1,026)	33	(993)
Total interest expense	**$ (102,638)**	**$ 52**	**$ (102,586)**	$ (130,952)	$ 53,842	$ (77,110)
Less: fully taxable-equivalent adjustment	**400**	**414**	**814**	913	896	1,809
Net interest income (GAAP) [2]	**$ (46,456)**	**$ 131,506**	**$ 85,050**	$ (240,649)	$ 225,637	$ (15,012)
Fully taxable-equivalent adjustment	**(400)**	**(414)**	**(814)**	(913)	(896)	(1,809)
Net interest income, fully-taxable equivalent (non-GAAP) [2]	**$ (46,856)**	**$ 131,092**	**$ 84,236**	$ (241,562)	$ 224,741	$ (16,821)

(1) *Includes interest-bearing deposits from banks and securities purchased under resale agreements with original maturities of greater than three months. Cash equivalents include federal funds sold and securities purchased under resale agreements with original maturities of three months or less.*

(2) *See "Non-GAAP Financial Measures/Ratios" for additional information on this performance ratio.*

The changes in net interest income are created by changes in both interest rates and volumes. In the table above, volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the change in rate multiplied by the previous year's volume. The change in interest due to both rate and volume has been allocated between factors in proportion to the relationship of the absolute dollar amounts of the change in each. The change in interest due to an additional day resulting from the 2020 leap year has been allocated entirely to the change due to volume.

Non-Interest Income

The following table presents non-interest income by category for 2021, 2020 and 2019:

	Years ended December 31,			2021 compared to 2020		2020 compared to 2019	
(Dollars in thousands)	**2021**	2020	2019	**$ Change**	**% Change**	$ Change	% Change
Brokerage	**$ 20,710**	$ 18,731	$ 18,825	**$ 1,979**	**11 %**	$ (94)	0 %
Trust and asset management	**103,309**	81,605	78,289	**21,704**	**27**	3,316	4
Total wealth management	**$ 124,019**	$ 100,336	$ 97,114	**$ 23,683**	**24 %**	$ 3,222	3 %
Mortgage banking	**273,010**	346,013	154,293	**(73,003)**	**(21)**	191,720	124
Service charges on deposit accounts	**54,168**	45,023	39,070	**9,145**	**20**	5,953	15
(Losses) gains on investment securities, net	**(1,059)**	(1,926)	3,525	**867**	**45**	(5,451)	NM
Fees from covered call options	**3,673**	2,292	3,670	**1,381**	**60**	(1,378)	(38)
Trading gains (losses), net	**245**	(1,004)	(158)	**1,249**	**NM**	(846)	NM
Operating lease income, net	**53,691**	47,604	47,041	**6,087**	**13**	563	1
Other:							
Interest rate swap fees	**13,702**	20,718	13,072	**(7,016)**	**(34)**	7,646	58
BOLI	**5,812**	4,730	4,947	**1,082**	**23**	(217)	(4)
Administrative services	**5,689**	4,385	4,197	**1,304**	**30**	188	4
Foreign currency measurement (loss) gain	**(495)**	(621)	783	**126**	**20**	(1,404)	NM
Early pay-offs of leases	**601**	632	35	**(31)**	**(5)**	597	NM
Miscellaneous	**53,064**	36,007	39,583	**17,057**	**47**	(3,576)	(9)
Total Other	**$ 78,373**	$ 65,851	$ 62,617	**$ 12,522**	**19 %**	$ 3,234	5 %
Total Non-Interest Income	**$ 586,120**	$ 604,189	$ 407,172	**$ (18,069)**	**(3)%**	$ 197,017	48 %

NM—Not Meaningful

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

Wealth management revenue is comprised of the trust and asset management revenue of the CTC and Great Lakes Advisors, the brokerage commissions, managed money fees and insurance product commissions at Wintrust Investments and fees from tax-deferred like-kind exchange services provided by CDEC.

Trust and asset management revenue totaled $103.3 million in 2021, an increase of $21.7 million, or 27%, compared to 2020. Trust and asset management fees are based primarily on the market value of the assets under management or administration as well as volume of tax-deferred like-kind exchange services provided during a period. Such revenue increased from 2020 to 2021 primarily as a result of market appreciation related to managed money accounts with fees based on assets under management and higher asset levels from new customers and new financial advisors.

Mortgage banking revenue totaled $273.0 million in 2021 compared to $346.0 million in 2020 reflecting a decrease of $73.0 million, or 21%, in 2021. The decrease in 2021 as compared 2020 was a result of a decrease in loans originated for sale and lower production margins. Mortgage banking revenue includes revenue from activities related to originating, selling and servicing residential real estate loans for the secondary market. A main factor in the mortgage banking revenue recognized by the Company is the volume of mortgage loans originated or purchased for sale. Mortgage originations for sale totaled $6.8 billion for the year ended 2021 compared to $8.0 billion for the same period of 2020. The decrease in originations was primarily due to rising interest rates in 2021 reducing refinance incentives for borrowers. Partially offsetting the impact of lower originations and production revenue was growth in servicing fee income and growth in the portfolio and value of the Company's mortgage servicing rights ("MSRs") asset. The percentage of origination volume from refinancing activities was 55% in 2021 as compared to 65% in 2020. Mortgage revenue is also impacted by changes in the fair value of MSRs. The Company records MSRs at fair value on a recurring basis.

During 2021, the fair value of the MSRs portfolio increased as retained servicing rights led to capitalization of $72.8 million, partially offset by a reduction in value due to payoffs and paydowns of the existing portfolio. See Note 6, "Mortgage

Servicing Rights," to the Consolidated Financial Statements in Item 8 for a summary of the changes in the carrying value of MSRs.

The table below presents additional selected information regarding mortgage banking for the respective periods.

	Years Ended December 31,					
(Dollars in thousands)		**2021**		2020		2019
Originations:						
Retail originations	**$**	**5,104,277**	$	5,709,868	$	2,730,865
Correspondent originations		**—**		—		385,729
Veterans First originations		**1,699,500**		2,294,862		1,381,327
Total originations for sale (A)	**$**	**6,803,777**	$	8,004,730	$	4,497,921
Originations for investment		**931,169**		396,499		460,734
Total originations	**$**	**7,734,946**	$	8,401,229	$	4,958,655
Retail originations as percentage of originations for sale		**75 %**		71 %		61 %
Correspondent originations as percentage of originations for sale		**—**		—		8
Veterans First originations as percentage of originations for sale		**25**		29		31
Purchases as a percentage of originations for sale		**45 %**		35 %		52 %
Refinances as a percentage of originations for sale		**55**		65		48
Production Margin:						
Production revenue (B) [(1)]	**$**	**176,242**	$	307,794	$	122,047
Total originations for sale (A)		**6,803,777**		8,004,730		4,497,921
Add: Current period end mandatory interest rate lock commitments to fund originations for sale [(2)]		**353,509**		1,072,717		372,357
Less: Prior period end mandatory interest rate lock commitments to fund originations for sale [(2)]		**1,072,717**		372,357		163,607
Total mortgage production volume (C)	**$**	**6,084,569**	$	8,705,090	$	4,706,671
Production margin (B / C)		**2.90 %**		3.54 %		2.59 %
Mortgage servicing:						
Loans serviced for others (D)	**$**	**13,126,254**	$	10,833,135	$	8,243,251
Mortgage servicing rights, at fair value (E)		**147,571**		92,081		85,638
Percentage of mortgage servicing rights to loans serviced for others (E/D)		**1.12 %**		0.85 %		1.04 %
Servicing income		**40,686**		31,886		23,156
Components of Mortgage Servicing Rights (MSR):						
MSR - current period capitalization	**$**	**72,754**	$	71,077	$	44,943
MSR - collection of expected cash flows - paydowns		**(3,856)**		(2,244)		(1,901)
MSR - collection of expected cash flows - payoffs		**(30,932)**		(30,335)		(18,217)
Valuation:						
MSR - changes in fair value model assumptions		**18,273**		(30,764)		(14,778)
Gain on derivative contract held as an economic hedge, net		**—**		4,749		519
MSR valuation adjustment, net of gain (loss) on derivative contract held as an economic hedge	**$**	**18,273**	$	(26,015)	$	(14,259)
Summary of Mortgage Banking Revenue:						
Production revenue [(1)]	**$**	**176,242**	$	307,794	$	122,047
Servicing income		**40,686**		31,886		23,156
MSR activity		**56,239**		12,483		10,566
Other		**(157)**		(6,150)		(1,476)
Total mortgage banking revenue	**$**	**273,010**		346,013		154,293

(1) Production revenue represents revenue earned from the origination and subsequent sale of mortgages, including gains on loans sold and fees from originations, changes in derivative activity, processing and other related activities, and excludes servicing fees, changes in fair value of servicing rights and changes to the mortgage recourse obligation and other non-production revenue.

(2) Certain volume adjusted for the estimated pull-through rate of the loan, which represents the Company's best estimate of the likelihood that a committed loan will ultimately fund.

Service charges on deposit accounts totaled $54.2 million in 2021 and $45.0 million in 2020, reflecting an increase of 20% in 2021. The increase in 2021 was primarily a result of higher fees associated with commercial account activity.

The Company recognized $1.1 million in net losses in 2021 compared to $1.9 million in net losses on investment securities in 2020. The Company did not recognize any credit-related write-downs or other-than-temporary impairment charges within its available-for-sale or held-to-maturity investment securities portfolio in 2021 or 2020, respectively.

Fees from covered call option transactions totaled $3.7 million in 2021, compared to $2.3 million in 2020. The Company has typically written call options with terms of less than three months against certain U.S. Treasury and agency securities held in its portfolio for liquidity and other purposes. Management has effectively entered into these transactions with the goal of economically hedging security positions and enhancing its overall return on its investment portfolio by using fees generated from these options to compensate for net interest margin compression. These option transactions are designed to increase the total return associated with holding certain investment securities and do not qualify as hedges pursuant to accounting guidance. There were no outstanding call option contracts at December 31, 2021 and 2020.

The Company recognized $245,000 of trading gains in 2021 compared to trading losses of $1.0 million in 2020. Trading gains and losses recorded by the Company primarily result from fair value adjustments related to interest rate derivatives not designated as hedges.

Operating lease income totaled $53.7 million in 2021 compared to $47.6 million in 2020. The increase in 2021 was primarily related to growth in business from the Company's leasing divisions.

Interest rate swap fee revenue totaled $13.7 million in 2021 and $20.7 million in 2020. Swap fee revenues result from interest rate swap transactions related to both customer-based trades and the related matched trades with inter-bank dealer counterparties. The revenue recognized on this customer-based activity is sensitive to the pace of organic loan growth, the shape of the yield curve and the customers’ expectations of interest rates. The fluctuations in swap fee revenue in 2021 primarily results from fluctuations in interest rate swap transactions related to both customer-based trades and the related matched trades with inter-bank dealer counterparties.

Bank owned life insurance (“BOLI”) generated non-interest income of $5.8 million in 2021 compared to $4.7 million in 2020. This income typically represents adjustments to the cash surrender value of BOLI policies and proceeds received from death benefits. The Company initially purchased BOLI to consolidate existing term life insurance contracts of executive officers and to mitigate the mortality risk associated with death benefits provided for in executive employment contracts and in connection with certain deferred compensation arrangements. The Company has also assumed additional BOLI policies as the result of the acquisition of certain banks. The cash surrender value of BOLI totaled $157.7 million at December 31, 2021 and $154.6 million at December 31, 2020, and is included in other assets.

Administrative services revenue generated by Tricom was $5.7 million in 2021 and $4.4 million in 2020. This revenue comprises income from administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients located throughout the United States. Tricom also earns interest and fee income from providing high-yielding, short-term accounts receivable financing to this same client base, which is included in the net interest income category.

The Company realized income of $601,000 and $632,000 in 2021 and 2020, respectively, representing gains realized from the early pay-off of leases originated and managed by the Company's leasing division.

Miscellaneous other non-interest income totaled $53.1 million in 2021 compared to $36.0 million in 2020. Miscellaneous income includes loan servicing fees, income from other investments, service charges and other fees. The increase in miscellaneous other income for 2021 compared to 2020 was primarily the result of an increase in partnership income.

Non-Interest Expense

The following table presents non-interest expense by category for 2021, 2020 and 2019:

	Years ended December 31,			2021 compared to 2020		2020 compared to 2019	
(Dollars in thousands)	**2021**	2020	2019	**$ Change**	**% Change**	$ Change	% Change
Salaries and employee benefits:							
Salaries	**$ 361,915**	$ 351,775	$ 310,352	**$ 10,140**	**3 %**	$ 41,423	13 %
Commissions and incentive compensation	**222,067**	178,584	148,600	**43,483**	**24**	29,984	20
Benefits	**107,687**	95,717	87,468	**11,970**	**13**	8,249	9
Total salaries and employee benefits	**$ 691,669**	$ 626,076	$ 546,420	**$ 65,593**	**10 %**	$ 79,656	15 %
Software and equipment	**87,515**	68,496	52,328	**19,019**	**28**	16,168	31
Operating lease equipment depreciation	**40,880**	37,915	35,760	**2,965**	**8**	2,155	6
Occupancy, net	**74,184**	69,957	64,289	**4,227**	**6**	5,668	9
Data processing	**27,279**	30,196	27,820	**(2,917)**	**(10)**	2,376	9
Advertising and marketing	**47,275**	36,296	48,595	**10,979**	**30**	(12,299)	(25)
Professional fees	**29,494**	27,426	27,471	**2,068**	**8**	(45)	0
Amortization of other acquisition-related intangible assets	**7,734**	11,018	11,844	**(3,284)**	**(30)**	(826)	(7)
FDIC insurance	**27,030**	25,004	9,199	**2,026**	**8**	15,805	NM
OREO expenses, net	**(1,654)**	(921)	3,628	**(733)**	**(80)**	(4,549)	NM
Other:							
Commissions — 3rd party brokers	**3,480**	3,114	2,918	**366**	**12**	196	7
Postage	**7,345**	6,918	9,597	**427**	**6**	(2,679)	(28)
Miscellaneous	**90,313**	98,600	88,257	**(8,287)**	**(8)**	10,343	12
Total other	**$ 101,138**	$ 108,632	$ 100,772	**$ (7,494)**	**(7)%**	$ 7,860	8 %
Total Non-Interest Expense	**$ 1,132,544**	$ 1,040,095	$ 928,126	**$ 92,449**	**9 %**	$ 111,969	12 %

NM—Not Meaningful

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

Salaries and employee benefits is the largest component of non-interest expense, accounting for 61% of the total in 2021 compared to 60% in 2020. For the year ended December 31, 2021, salaries and employee benefits totaled $691.7 million and increased $65.6 million, or 10%, compared to 2020. This increase was primarily attributed to increased commissions and incentive compensation expense. Commissions and incentive compensation increased $43.5 million primarily due to higher expenses associated with the Company's long term incentive program.

Software and equipment expense totaled $87.5 million in 2021 compared to $68.5 million in 2020, reflecting an increase of 28% in 2021. The increase in software and equipment expense in 2021 was primarily due to increased software licensing expenses as the Company invests in enhancements to the digital customer experience, upgrades to infrastructure and enhancements to information security capabilities. Software and equipment expense includes furniture, equipment and computer software, depreciation and repairs and maintenance costs.

Operating lease equipment expense totaled $40.9 million in 2021 and $37.9 million in 2020. The increase in 2021 was primarily related to growth in business from the Company's leasing divisions.

Occupancy expense for the years 2021 and 2020 was $74.2 million and $70.0 million, respectively, reflecting an increase of 6% in 2021. The increase in occupancy expense in 2021 was primarily due to increased real estate taxes on owned locations, partially offset by lower utilities expenses. Energy efficiency continued to be a focus of the Company. Most notably, in 2021, the Company’s three office buildings located in Rosemont, Illinois experienced 40% lower greenhouse gas emissions compared to a median baseline location, leading to an EPA Energy Star Score of 82 (compared to a target score of 75). Occupancy expense includes depreciation on premises, real estate taxes and insurance, utilities and maintenance of premises, as well as net rent expense for leased premises.

Data processing expenses totaled $27.3 million in 2021 compared to $30.2 million in 2020, representing a decrease of 10% in 2021. The amount of data processing expenses incurred decreased as a result of conversion costs incurred in 2020 related to previously completed acquisitions.

Advertising and marketing expenses totaled $47.3 million for 2021 compared to $36.3 million for 2020. Marketing costs are incurred to promote the Company’s brand, commercial banking capabilities, the Company’s MaxSafe® suite of products, community-based products, to attract loans and deposits and to announce new branch openings as well as the expansion of the Company's non-bank businesses. The increase in 2021 was primarily as a result of higher sponsorship costs due to the resumption of events, including sports sponsorships, previously cancelled in 2020 as a result of the COVID-19 pandemic. The level of marketing expenditures depends on the type of marketing programs utilized which are determined based on the market area, targeted audience, competition and various other factors. Management continues to utilize mass market media promotions as well as targeted marketing programs in certain market areas.

FDIC insurance expense totaled $27.0 million in 2021 compared to $25.0 million in 2020 reflecting an increase of $2.0 million in 2021. The increase in 2021 as compared to 2020 was a result of higher assessment rates at the Company's bank affiliates as a result of asset growth.

The Company recorded net OREO income of $1.7 million in 2021, compared to net OREO income of $921,000 in 2020. The net OREO income in each period is the result of realized gains on sales of OREO. OREO expenses also include all costs associated with obtaining, maintaining and selling other real estate owned properties as well as valuation adjustments.

Miscellaneous non-interest expense decreased $8.3 million, or 8%, in 2021 compared to 2020. The decreased expense in 2021 as compared to 2020 was primarily a result of lower adjustments on contingent consideration expense related to previous acquisitions of mortgage operations. The liability for contingent consideration expense related to the previous acquisition of mortgage operations is based upon forward looking mortgage origination volumes and the estimated profitability of that operation. Should those assumptions subsequently change, the liability may need to be increased or decreased. The contractual period covering this contingent consideration ends in January 2023 and the final year of the contract contemplates a lower ratio of contingent consideration relative to financial performance. As a result, the Company does not expect to have material adjustments to the contingent consideration liability in future periods. Miscellaneous non-interest expense includes ATM expenses, correspondent banking charges, directors’ fees, telephone and communication, travel and entertainment, corporate insurance, dues and subscriptions, problem loan expenses, operating losses and lending origination costs that are not deferred.

Income Taxes

The Company recorded income tax expense of $171.6 million in 2021 compared to $96.8 million in 2020 and $124.4 million in 2019. The effective tax rates were 26.9% in 2021, 24.8% in 2020 and 25.9% in 2019. The effective tax rate in 2020 benefited from $9.1 million in state income tax settlements related to uncertain tax positions. Net of the federal tax impact, the reduction to income tax expense was $7.2 million. Income tax expense was also impacted by the tax effects related to the issuance of shares in share-based compensation plans. These tax effects fluctuate based on the Company’s stock price and timing of employee stock option exercises and vesting of other share based awards. The Company recorded a tax benefit related to share-based compensation of $2.4 million in 2021, tax expense of $618,000 in 2020, and a tax benefit of $1.8 million in 2019, the majority of which were recognized in the first quarter of each year. Please refer to Note 17 to the Consolidated Financial Statements in Item 8 for further discussion and analysis of the Company’s tax position, including a reconciliation of the tax expense computed at the statutory tax rate to the Company’s actual tax expense.

Operating Segment Results

As described in Note 24 to the Consolidated Financial Statements in Item 8, the Company’s operations consist of three primary segments: community banking, specialty finance and wealth management. The Company’s profitability is primarily dependent on the net interest income, provision for credit losses, non-interest income and operating expenses of its community banking segment. For purposes of internal segment profitability, management allocates certain intersegment and parent company balances. Management allocates a portion of revenues to the specialty finance segment related to loans and leases originated by the specialty finance segment and sold or assigned to the community banking segment. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates a portion of the net interest income earned by the community banking segment on deposit balances of customers of the wealth management segment to the wealth management segment. Finally, expenses incurred at the Wintrust parent company are allocated to each segment based on each segment’s risk-weighted assets.

The community banking segment’s net interest income for the year ended December 31, 2021 totaled $868.5 million as compared to $808.4 million for the same period in 2020, an increase of $60.0 million, or 7%. The increase in 2021 compared to

2020 was primarily attributable to growth in earning assets and a decline in deposit costs despite a net interest margin decrease primarily due to increased liquidity. The community banking segment recorded a negative provision for credit losses of $60.3 million in 2021 compared to the provision for credit losses of $206.8 million in 2020. The provision for credit losses decreased in 2021 compared to 2020 primarily due to improvements in the macroeconomic forecast in addition to improvement in loan portfolio characteristics throughout the year. Non-interest income for the community banking segment decreased $46.5 million, or 10% in 2021 when compared to 2020. The decrease in 2021 compared to 2020 was primarily attributable to a decrease in mortgage banking revenue from a decrease in mortgage originations and production margin during 2021. The community banking segment's net income for the year ended December 31, 2021 totaled $319.1 million, an increase of $155.5 million, compared to net income of $163.6 million in 2020. The increase was primarily attributable to a lower provision for credit losses in 2021 that, as noted above, was primarily due to improvements in the macroeconomic forecast in addition to improvement in portfolio characteristics throughout the year.

The specialty finance segment's net interest income totaled $198.0 million for the year ended December 31, 2021, compared to $177.0 million in the same period of 2020, an increase of $20.9 million, or 12%. The increase in 2021 compared to 2020 was primarily attributable to growth in earnings assets on the premium finance receivables portfolios. The specialty finance segment's provision for credit losses totaled $1.0 million in 2021 compared to $7.4 million in 2020. The specialty finance segment's non-interest income totaled $95.8 million for the year ended December 31, 2021 compared to $86.3 million in 2020. The increase in non-interest income in 2021 is primarily a result of higher originations and increased balances related to the commercial premium finance portfolio and growth in business from the Company's leasing division. For 2021, our commercial premium finance operations, life insurance premium finance operations, leasing operations and accounts receivable finance operations accounted for 42%, 29%, 25% and 4%, respectively, of the total revenues of our specialty finance business. Net income of the specialty finance segment totaled $109.2 million and $100.3 million for the years ended December 31, 2021 and 2020, respectively.

The wealth management segment reported net interest income of $31.9 million for 2021 and $30.6 million for 2020. Net interest income for this segment is primarily comprised of an allocation of net interest income earned by the community banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the banks. Wealth management customer account balances on deposit at the banks averaged $2.4 billion and $2.0 billion in 2021 and 2020, respectively. This segment recorded non-interest income of $129.0 million for 2021 as compared to $103.4 million for 2020. This increase is primarily due to growth in assets from new and existing customers and market appreciation. Distribution of wealth management services through each bank continues to be a focus of the Company as the number of brokers in its banks continues to increase. The Company is committed to growing the wealth management segment in order to better service its customers and create a more diversified revenue stream. The wealth management segment reported net income of $37.9 million for 2021 compared to $29.0 million for 2020.

Analysis of Financial Condition

Total assets were $50.1 billion at December 31, 2021, representing an increase of $5.1 billion, or 11%, when compared to December 31, 2020. Total funding, which includes deposits, all notes and advances, including secured borrowings and junior subordinated debentures, was $44.5 billion at December 31, 2021 and $39.5 billion at December 31, 2020. See Notes 3, 4, and 10 through 14 to the Consolidated Financial Statements in Item 8 for additional period-end detail on the Company's interest-earning assets and funding liabilities.

Interest-Earning Assets

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

	Years Ended December 31,					
	2021		2020		2019	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Mortgage loans held-for-sale	**$ 959,457**	**2 %**	$ 707,147	2 %	$ 308,645	1 %
Loans:						
Commercial, excluding PPP	**9,691,867**	**22**	8,663,290	23	8,056,731	26
Commercial - PPP	**2,054,514**	**5**	2,290,913	6	—	—
Commercial real estate	**8,696,887**	**20**	8,279,217	22	7,325,865	24
Home equity	**371,425**	**1**	466,801	1	526,853	2
Residential real estate	**1,455,883**	**3**	1,192,788	3	1,042,997	4
Premium finance receivables	**10,734,726**	**24**	9,214,797	24	7,920,379	26
Other loans	**45,741**	**0**	73,398	0	113,911	0
Total loans, net of unearned income (1)	**$ 33,051,043**	**75 %**	$ 30,181,204	79 %	$ 24,986,736	82 %
Liquidity management assets (2)	**9,755,234**	**23**	7,348,571	19	5,242,433	17
Other earning assets (3)	**25,096**	**0**	17,863	0	16,385	0
Total average earning assets	**$ 43,790,830**	**100 %**	$ 38,254,785	100 %	$ 30,554,199	100 %
Total average assets	**$ 46,824,051**		$ 41,371,339		$ 33,232,083	
Total average earning assets to total average assets		**94 %**		92 %		92 %

(1) Includes non-accrual loans.
(2) Liquidity management assets include investment securities, other securities, interest-earning deposits with banks, federal funds sold and securities purchased under resale agreements.
(3) Other earning assets include brokerage customer receivables and trading account securities.

Total average earning assets increased $5.5 billion, or 14%, in 2021. Average earning assets comprised 94% and 92% of average total assets in 2021 and 2020, respectively.

Mortgage loans held-for-sale. Average mortgage loans held-for-sale totaled $959.5 million in 2021, compared to $707.1 million in 2020. These balances represent mortgage loans awaiting subsequent sale in the secondary market with such sales eliminating the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans, and provides a source of non-interest revenue. The increase in average balance from 2020 to 2021 was primarily due to higher balances repurchased by the Company under the early buyout option available for loans sold to GNMA with servicing retained, partially offset by lower mortgage origination production. See “Loan Portfolio and Asset Quality” section later in this Item 7 for additional discussion of these early buyout options.

Loans, net of unearned income. Average total loans, net of unearned income, totaled $33.1 billion and increased $2.9 billion, or 10%, in 2021. Average commercial loans, excluding PPP loans, totaled $9.7 billion in 2021, and increased $1.0 billion, or 12%, over the average balance in 2020. Average commercial PPP loans totaled $2.1 billion in 2021 and decreased $236.4 million, or 10%, compared to the average balance in 2020 due to forgiveness payments received on such loans in 2021. Average commercial real estate loans totaled $8.7 billion in 2021, increasing $417.7 million, or 5%, since 2020. Combined, these categories comprised 62% and 64% of the average loan portfolio in 2021 and 2020, respectively. Excluding PPP loans, the growth realized in these categories for 2021 is primarily attributable to increased business development efforts during the period.

Home equity loans averaged $371.4 million in 2021, and decreased $95.4 million, or 20%, when compared to the average balance in 2020. Unused commitments on home equity lines of credit totaled $749.4 million at December 31, 2021 and $756.2 million at December 31, 2020. The decrease in the home equity loan portfolio was primarily the result of borrowers preferring to finance through longer term, low rate mortgage loans. The Company has been actively managing its home equity portfolio to ensure that diligent pricing, appraisal and other underwriting activities continue to exist.

Residential real estate loans averaged $1.5 billion in 2021, and increased $263.1 million, or 22%, from the average balance in 2020. The increase in average balance was partially due to the Company deciding to allocate more balances from its mortgage production for investment instead of for subsequent sale and servicing in the secondary market.

Average premium finance receivables totaled $10.7 billion in 2021, and accounted for 32% of the Company's average total loans. In 2021, average premium finance receivables increased $1.5 billion, or 16%, compared to 2020. The increase during 2021 was the result of effective marketing and customer servicing as well as continued originations within the portfolio due to hardening insurance market conditions driving a higher average size of new property and casualty insurance premium finance receivables. Approximately $12.8 billion of premium finance receivables were originated in 2021 compared to approximately $11.3 billion in 2020.

Other loans represent a wide variety of personal and consumer loans to individuals. Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk due to the type and nature of the collateral.

Liquidity Management Assets. Funds that are not utilized for loan originations are used to purchase investment securities and short-term money market investments, to sell as federal funds and to maintain in interest-bearing deposits with banks. Average liquidity management assets accounted for 23% and 19% of total average earning assets in 2021 and 2020, respectively. Average liquidity management assets increased $2.4 billion in 2021 compared to 2020. The balances of these assets can fluctuate based on management's ongoing effort to manage liquidity and for asset liability management purposes. The Company will continue to prudently evaluate and utilize liquidity sources as needed, including the management of availability with the FHLB and FRB and utilization of the revolving credit facility with unaffiliated banks.

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

Investment Securities Portfolio

Supplemental Statistical Data

The following statistical information is provided in accordance with the requirements of Regulation S-K as promulgated by the SEC. This data should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, and Management's Discussion and Analysis which are contained in Item 8 and Item 7, respectively, of this Annual Report on Form 10-K.

The following table presents the amortized cost and fair value of the Company's investment securities portfolios, by investment category, as of December 31, 2021, and 2020:

(Dollars in thousands)	**2021**		2020	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value
Available-for-sale securities				
U.S. Treasury	**$ —**	**$ —**	$ 304,956	$ 304,971
U.S. Government agencies	**50,158**	**52,507**	80,074	84,513
Municipal	**161,618**	**165,594**	141,244	146,910
Corporate notes:				
Financial issuers	**96,878**	**94,697**	91,786	90,385
Other	**1,000**	**1,007**	1,000	1,020
Mortgage-backed: (1)				
Mortgage-backed securities	**1,901,005**	**1,907,981**	2,330,332	2,417,038
Collateralized mortgage obligations	**105,710**	**106,007**	10,689	11,002
Total available-for-sale securities	**$ 2,316,369**	**$ 2,327,793**	$ 2,960,081	$ 3,055,839
Held-to-maturity securities				
U.S. Government agencies	**$ 180,192**	**$ 177,079**	$ 177,959	$ 180,511
Municipal	**187,486**	**196,807**	200,707	212,725
Mortgage-backed securities	**2,530,730**	**2,483,972**	200,531	200,531
Corporate notes	**43,955**	**42,836**	—	—
Total held-to-maturity securities	**$ 2,942,363**	**$ 2,900,694**	$ 579,197	$ 593,767
Less: Allowance for credit losses	**(78)**		(59)	
Held-to-maturity securities, net of allowance for credit losses	**$ 2,942,285**		$ 579,138	
Equity securities with readily determinable fair value	**$ 86,989**	**$ 90,511**	$ 87,618	$ 90,862

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

Tables presenting the carrying amounts and gross unrealized gains and losses for securities at December 31, 2021 and 2020 are included by reference to Note 3 to the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K. The following table presents the carrying value of the investment securities portfolios as of December 31, 2021, by maturity distribution. Carrying value represents the fair value of investment securities classified as available-for-sale, the amortized cost of those classified as held-to-maturity and the fair value of equity securities with readily determinable fair values.

(Dollars in thousands)	Within 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Mortgage-backed	Equity Securities	Total
Available-for-sale securities							
U.S. Treasury	$ —	$ —	$ —	$ —	$ —	$ —	$ —
U.S. Government agencies	159	—	—	52,348	—	—	52,507
Municipal	46,636	62,838	35,908	20,212	—	—	165,594
Corporate notes:							
Financial issuers	3,027	10,005	81,665	—	—	—	94,697
Other	—	1,007	—	—	—	—	1,007
Mortgage-backed: [1]							
Mortgage-backed securities	—	—	—	—	1,907,981	—	1,907,981
Collateralized mortgage obligations	—	—	—	—	106,007	—	106,007
Total available-for-sale securities	$ 49,822	$ 73,850	$ 117,573	$ 72,560	$ 2,013,988	$ —	$ 2,327,793
Held-to-maturity securities							
U.S. Government agencies	$ 501	$ 1,819	$ 1,021	$ 176,851	$ —	$ —	$ 180,192
Municipal	2,474	33,648	105,692	45,672	—	—	187,486
Corporate notes:							
Financial issuers	—	43,955	—	—	—	—	43,955
Mortgage-backed securities	—	—	—	—	2,530,730	—	2,530,730
Total held-to-maturity securities	$ 2,975	$ 79,422	$ 106,713	$ 222,523	$ 2,530,730	$ —	$ 2,942,363
Less: Allowance for credit losses							(78)
Held-to-maturity securities, net of allowance for credit losses							$ 2,942,285
Equity securities with readily determinable fair value	$ —	$ —	$ —	$ —	$ —	$ 90,511	$ 90,511

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

The weighted average yield for each range of maturities of securities, on a tax-equivalent basis, is shown below as of December 31, 2021:

	Within 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Mortgage-backed	Equity Securities	Total
Available-for-sale securities							
U.S. Treasury	— %	— %	— %	— %	— %	— %	— %
U.S. Government agencies	1.96	—	—	3.78	—	—	3.78
Municipal	1.05	2.00	2.55	2.78	—	—	1.95
Corporate notes:							
Financial issuers	2.73	2.41	1.91	—	—	—	1.99
Other	—	1.20	—	—	—	—	1.20
Mortgage-backed: [1]							
Mortgage-backed securities	—	—	—	—	2.22	—	2.22
Collateralized mortgage obligations	—	—	—	—	2.00	—	2.00
Total available-for-sale securities	1.15 %	2.04 %	2.10 %	3.50 %	2.21 %	— %	2.22 %
Held-to-maturity securities							
U.S. Government agencies	1.98 %	2.56 %	2.62 %	2.37 %	— %	— %	2.37 %
Municipal	2.34	3.41	3.28	3.57	—	—	3.36
Corporate notes:							
Financial issuers	—	0.87	—	—	—	—	0.87
Mortgage-backed securities	—	—	—	—	1.80	—	1.80
Total held-to-maturity securities	2.28 %	1.98 %	3.28 %	2.61 %	1.80 %	— %	1.92 %
Equity securities with readily determinable fair value	— %	— %	— %	— %	— %	0.21 %	0.21 %

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

Loan Portfolio and Asset Quality

Loan Portfolio

The following table shows the Company's loan portfolio by category as of December 31 for the current and previous fiscal years:

	2021		2020	
(Dollars in thousands)	**Amount**	**% of Total**	Amount	% of Total
Commercial	**$ 11,904,068**	**34 %**	$ 11,955,967	37 %
Commercial real estate	**8,990,286**	**26**	8,494,132	26
Home equity	**335,155**	**1**	425,263	1
Residential real estate	**1,637,099**	**5**	1,259,598	5
Premium finance receivables—property & casualty	**4,855,487**	**14**	4,054,489	13
Premium finance receivables—life insurance	**7,042,810**	**20**	5,857,436	18
Consumer and other	**24,199**	**0**	32,188	0
Total loans, net of unearned income	**$ 34,789,104**	**100 %**	$ 32,079,073	100 %

Commercial and commercial real estate loans. Our commercial and commercial real estate loan portfolios are comprised primarily of commercial real estate loans and lines of credit for working capital purposes. The table below sets forth information regarding the types, amounts and performance of our loans within these portfolios as of December 31, 2021 and 2020:

	As of December 31, 2021			As of December 31, 2020		
(Dollars in thousands)	**Balance**	**% of Total Balance**	**Allowance For Credit Losses Allocation**	Balance	% of Total Balance	Allowance For Credit Losses Allocation
Commercial:						
Commercial, industrial and other, excluding PPP	$ 11,345,785	54.3 %	$ 119,305	$ 9,240,046	45.2 %	$ 94,210
Commercial PPP	558,283	2.7	2	2,715,921	13.3	2
Total commercial	**$ 11,904,068**	**57.0 %**	**$ 119,307**	$ 11,955,967	58.5 %	$ 94,212
Commercial Real Estate:						
Construction and development	$ 1,356,204	6.5 %	$ 35,206	$ 1,371,802	6.7 %	$ 78,833
Non-construction	7,634,082	36.5	109,377	7,122,330	34.8	164,770
Total commercial real estate	**$ 8,990,286**	**43.0 %**	**$ 144,583**	$ 8,494,132	41.5 %	$ 243,603
Total commercial and commercial real estate	**$ 20,894,354**	**100.0 %**	**$ 263,890**	$ 20,450,099	100.0 %	$ 337,815
Commercial real estate—collateral location by state:						
Illinois	$ 6,324,037	70.3 %		$ 6,243,651	73.5 %	
Wisconsin	775,647	8.6		779,390	9.2	
Total primary markets	**$ 7,099,684**	**78.9 %**		$ 7,023,041	82.7 %	
Indiana	334,090	3.7		301,177	3.5	
Florida	162,516	1.8		131,259	1.5	
Arizona	89,602	1.0		63,494	0.8	
California	118,236	1.3		85,624	1.0	
Texas	155,982	1.7		79,406	0.9	
Other (no individual state greater than 0.8%)	1,030,176	11.6		810,131	9.6	
Total	**$ 8,990,286**	**100.0 %**		$ 8,494,132	100.0 %	

We make commercial loans for many purposes, including working capital lines, which are generally renewable annually and supported by business assets, personal guarantees and additional collateral. Such loans may vary in size based on customer need. In addition, the Company has participated in the PPP starting in 2020. Commercial business lending is generally considered to involve a slightly higher degree of risk than traditional consumer bank lending. Primarily as a result of growth in the portfolio, excluding PPP loans, our allowance for credit losses in our commercial loan portfolio increased to $119.3 million as of December 31, 2021 compared to $94.2 million as of December 31, 2020. This increase was partially offset by improvements in macroeconomic conditions related to COVID-19.

Our commercial real estate loans are generally secured by a first mortgage lien and assignment of rents on the property. Since most of our bank branches are located in the Chicago metropolitan area and southern Wisconsin, 78.9% of our commercial real estate loan portfolio is located in this region as of December 31, 2021. We have been able to effectively manage our total non-performing commercial real estate loans. As of December 31, 2021, our allowance for credit losses related to this portfolio was $144.6 million compared to $243.6 million as of December 31, 2020. The decrease in the allowance for credit losses is primarily due to the impact on the Company's loan loss modeling from improving macroeconomic conditions and expectations between the two reporting dates primarily related to the Commercial Real Estate Price Index.

The Company also participates in mortgage warehouse lending which is included above within commercial, industrial and other, by providing interim funding to unaffiliated mortgage bankers to finance residential mortgages originated by such bankers for sale into the secondary market. The Company's loans to the mortgage bankers are secured by the business assets of the mortgage companies as well as the specific mortgage loans funded by the Company, after they have been pre-approved for purchase by third party end lenders. The Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage bankers desire to competitively bid on a number of mortgages for sale as a package in the secondary market. Amounts advanced with respect to any particular mortgage loan are usually required to be repaid within 21 days.

Home equity loans. Our home equity loans and lines of credit are originated by each of our banks in their local markets where we have a strong understanding of the underlying real estate value. Our banks monitor and manage these loans, and we conduct an automated review of all home equity loans and lines of credit at least twice per year. This review collects current credit performance for each home equity borrower and identifies situations where the credit strength of the borrower is declining, or where there are events that may influence repayment, such as tax liens or judgments. Our banks use this information to manage loans that may be higher risk and to determine whether to obtain additional credit information or updated property valuations.

The rates we offer on new home equity lending are based on several factors, including appraisals and valuation due diligence, in order to reflect inherent risk, and we place additional scrutiny on larger home equity requests. In a limited number of cases, we issue home equity credit together with first mortgage financing, and requests for such financing are evaluated on a combined basis. It is not our practice to advance more than 85% of the appraised value of the underlying asset, which ratio we refer to as the loan-to-value ratio, or LTV ratio, and a majority of the credit we previously extended, when issued, had an LTV ratio of less than 80%. Our home equity loan portfolio has performed well in light of the ongoing volatility in the overall residential real estate market.

Residential real estate. Our residential real estate portfolio includes one- to four-family adjustable rate mortgages, construction loans to individuals and bridge financing loans for qualifying customers as well as certain long-term fixed rate loans. As of December 31, 2021, our residential loan portfolio totaled $1.6 billion, or 5% of our total outstanding loans.

Our adjustable rate mortgages are often non-agency conforming. Adjustable rate mortgage loans decrease the interest rate risk we face on our mortgage portfolio. However, this risk is not eliminated due to the fact that such loans generally provide for periodic and lifetime limits on the interest rate adjustments among other features. Additionally, adjustable rate mortgages may pose a higher risk of delinquency and default because they require borrowers to make larger payments when interest rates rise. As of December 31, 2021, $16.4 million of our residential real estate mortgages, or 1.0% of our residential real estate loan portfolio were classified as nonaccrual, no balances were 90 or more days past due and still accruing, $13.4 million were 30 to 89 days past due or 0.8% and $1.6 billion were current or 98.2%. We believe that since our loan portfolio consists primarily of locally originated loans, and since the majority of our borrowers are longer-term customers with lower LTV ratios, we face a relatively low risk of borrower default and delinquency.

Due to interest rate risk considerations, we generally sell in the secondary market loans originated with long-term fixed rates, for which we receive fee income. We may also selectively retain certain of these loans within the banks' own portfolios where they are non-agency conforming, or where the terms of the loans make them favorable to retain. A portion of the loans we sold into the secondary market were sold with the servicing of those loans retained. The amount of loans serviced for others as of December 31, 2021 and 2020 was $13.1 billion and $10.8 billion, respectively. All other mortgage loans sold into the secondary market were sold without the retention of servicing rights.

The Government National Mortgage Association ("GNMA") optional repurchase programs allow financial institutions acting as servicers to buyout individual delinquent mortgage loans that meet certain criteria from the securitized loan pool for which the institution was the original transferor of such loans. At the option of the servicer and without prior authorization from GNMA, the servicer may repurchase such delinquent loans for an amount equal to the remaining principal balance of the loan. Under FASB ASC Topic 860, "Transfers and Servicing," this early buyout option is considered a conditional option until the delinquency criteria are met, at which time the option becomes unconditional. When the Company is deemed to have regained effective control over these loans under the unconditional repurchase option and the expected benefit of the potential repurchase is more than trivial, the loans can no longer be reported as sold and must be brought back onto the balance sheet as loans at fair value, regardless of whether the Company intends to exercise the early buyout option. These rebooked loans are reported as loans held-for-investment, part of the residential real estate portfolio, with the offsetting liability being reported in accrued interest payable and other liabilities. Rebooked GNMA loans held-for-investment amounted to $22.7 million at December 31, 2021, compared to $44.9 million at December 31, 2020. When the early buyout option on these rebooked GNMA loans is exercised, the repurchased loans continue to be carried at fair value. Additionally, such loans typically transfer to mortgage loans held-for-sale at the time of early buyout as the Company's intent is to cure and resell such loans subsequent to repurchase from GNMA. As of December 31, 2021 and 2020, early buyout exercised mortgage loans held-for-sale totaled $344.8 million at both dates.

It is not our current practice to underwrite, and we have no plans to underwrite, subprime, Alt A, no or little documentation loans, or option ARM loans. As of December 31, 2021, none of our mortgage loans consist of interest-only loans.

Premium finance receivables — property & casualty. FIRST Insurance Funding and FIFC Canada originated approximately $11.3 billion in property and casualty insurance premium finance receivables during 2021 as compared to approximately $9.9 billion in 2020. FIRST Insurance Funding and FIFC Canada make loans to primarily businesses to finance the insurance premiums they pay on their property and casualty insurance policies. The loans are originated by working through independent medium and large insurance agents and brokers located throughout the United States and Canada. The insurance premiums financed are primarily for commercial customers' purchases of liability, property and casualty and other commercial insurance.

This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending through third party agents and brokers and because the borrowers are located nationwide and in Canada, this segment is more susceptible to third party fraud than relationship lending. The Company performs ongoing credit and other reviews of the agents and brokers, and performs various internal audit steps to mitigate against the risk of any fraud. The majority of these loans are purchased by the banks in order to more fully utilize their lending capacity as these loans generally provide the banks with higher yields than alternative investments.

Premium finance receivables — life insurance. Wintrust Life Finance originated approximately $1.6 billion in life insurance premium finance receivables in 2021 as compared to $1.4 billion in 2020. The Company continues to experience a high level of competition and pricing pressure within the current market. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and legal counsel. The life insurance policy is the primary form of collateral. In addition, these loans often are secured with a letter of credit, marketable securities or certificates of deposit. In some cases, Wintrust Life Finance may make a loan that has a partially unsecured position.

Consumer and other. Included in the consumer and other loan category is a wide variety of personal and consumer loans to individuals. The banks originate consumer loans in order to provide a wider range of financial services to their customers. Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk than mortgage loans due to the type and nature of the collateral.

Foreign. The Company had approximately $677.0 million of loans to businesses with operations in foreign countries as of December 31, 2021 compared to $616.4 million at December 31, 2020. This balance as of December 31, 2021 consists of loans originated by FIFC Canada.

Loan Concentrations

Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company had no concentrations of loans exceeding 10% of total loans at December 31, 2021, except for loans included in the specialty finance operating segment, which are diversified throughout the United States and Canada.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table classifies the loan portfolio at December 31, 2021 by date at which the loans reprice or mature, and the type of rate exposure:

(Dollars in thousands)	One year or less	From one to five years	From five to fifteen years	After fifteen years	Total
Commercial					
Fixed rate	$ 536,782	$ 2,092,006	$ 1,319,692	$ 10,826	$ 3,959,306
Fixed rate -PPP	40,533	517,750	—	—	558,283
Variable rate	7,383,214	3,207	58	—	7,386,479
Total commercial	$ 7,960,529	$ 2,612,963	$ 1,319,750	$ 10,826	$ 11,904,068
Commercial real estate					
Fixed rate	$ 518,488	$ 2,376,629	$ 489,996	$ 35,177	$ 3,420,290
Variable rate	5,550,141	19,855	—	—	5,569,996
Total commercial real estate	$ 6,068,629	$ 2,396,484	$ 489,996	$ 35,177	$ 8,990,286
Home equity					
Fixed rate	$ 14,896	$ 3,059	$ —	$ 42	$ 17,997
Variable rate	317,158	—	—	—	317,158
Total home equity	$ 332,054	$ 3,059	$ —	$ 42	$ 335,155
Residential real estate					
Fixed rate	$ 17,812	$ 5,834	$ 29,063	$ 868,253	$ 920,962
Variable rate	58,968	237,706	419,463	—	716,137
Total residential real estate	$ 76,780	$ 243,540	$ 448,526	$ 868,253	$ 1,637,099
Premium finance receivables - property & casualty					
Fixed rate	$ 4,677,500	$ 177,987	$ —	$ —	$ 4,855,487
Variable rate	—	—	—	—	—
Total premium finance receivables - property & casualty	$ 4,677,500	$ 177,987	$ —	$ —	$ 4,855,487
Premium finance receivables - life insurance					
Fixed rate	$ 8,579	$ 474,465	$ 21,727	$ —	$ 504,771
Variable rate	6,538,039	—	—	—	6,538,039
Total premium finance receivables - life insurance	$ 6,546,618	$ 474,465	$ 21,727	$ —	$ 7,042,810
Consumer and other					
Fixed rate	$ 4,094	$ 5,004	$ 94	$ 562	$ 9,754
Variable rate	14,445	—	—	—	14,445
Total consumer and other	$ 18,539	$ 5,004	$ 94	$ 562	$ 24,199
Total per category					
Fixed rate	$ 5,778,151	$ 5,134,984	$ 1,860,572	$ 914,860	$ 13,688,567
Fixed rate -PPP	40,533	517,750	—	—	558,283
Variable rate	19,861,965	260,768	419,521	—	20,542,254
Total loans, net of unearned income	$ 25,680,649	$ 5,913,502	$ 2,280,093	$ 914,860	$ 34,789,104
Variable Rate Loan Pricing by Index:					
Prime					$ 3,273,915
One- month LIBOR					8,848,709
Three- month LIBOR					285,441
Twelve- month LIBOR					6,677,139
U.S. Treasury tenors					107,037
SOFR tenors					598,904
Thirty-Day Ameribor					89,832
Other					661,277
Total variable rate					$ 20,542,254

With its ongoing transition from LIBOR continuing in 2021, the Company increased the portion of its loan portfolio with interest rate indices that are an alternative to LIBOR during that period, including emerging indices such as SOFR and Ameribor. As shown above, at December 31, 2021, variable rate loans with loans priced at SOFR and thirty-day Ameribor totaled $598.9 million and $89.8 million, respectively. Additionally, the percentage of the Company's variable rate loans indexed to LIBOR decreased to 77% at December 31, 2021 compared to 86% at December 31, 2020. The Company continues its transition of its loan portfolio from LIBOR for both loans existing at December 31, 2021 and future new originations.

Past Due Loans and Non-Performing Assets

Our ability to manage credit risk depends in large part on our ability to properly identify and manage problem loans. To do so, the Company operates a credit risk rating system under which our credit management personnel assign a credit risk rating to each loan at the time of origination and review loans on a regular basis to determine each loan's credit risk rating on a scale of 1 through 10 with higher scores indicating higher risk. The credit risk rating structure used is shown below:

1 Rating	—	Minimal Risk (Loss Potential — none or extremely low) (Superior asset quality, excellent liquidity, minimal leverage)
2 Rating	—	Modest Risk (Loss Potential demonstrably low) (Very good asset quality and liquidity, strong leverage capacity)
3 Rating	—	Average Risk (Loss Potential low but no longer refutable) (Mostly satisfactory asset quality and liquidity, good leverage capacity)
4 Rating	—	Above Average Risk (Loss Potential variable, but some potential for deterioration) (Acceptable asset quality, little excess liquidity, modest leverage capacity)
5 Rating	—	Management Attention Risk (Loss Potential moderate if corrective action not taken) (Generally acceptable asset quality, somewhat strained liquidity, minimal leverage capacity, minimum for all commercial real estate construction loans)
6 Rating	—	Special Mention (Loss Potential moderate if corrective action not taken) (Assets in this category are currently protected, potentially weak, but not to the point of substandard classification)
7 Rating	—	Substandard Accrual (Loss Potential distinct possibility that the bank may sustain some loss, but no discernible impairment) (Must have well defined weaknesses that jeopardize the liquidation of the debt)
8 Rating	—	Substandard Non-accrual (Loss Potential well documented probability of loss, including potential impairment) (Must have well defined weaknesses that jeopardize the liquidation of the debt)
9 Rating	—	Doubtful (Loss Potential extremely high) (These assets have all the weaknesses in those classified "substandard" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, highly improbable)
10 Rating	—	Loss (fully charged-off) (Loans in this category are considered fully uncollectible.)

Loan officers are responsible for monitoring their loan portfolio, recommending a credit risk rating for each loan in their 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 maintains an internal loan review function to independently review a portion of the loan portfolio to evaluate the appropriateness of the management-assigned credit risk ratings. These ratings are subject to further review at each of our bank subsidiaries by the applicable regulatory authority, including the FRB of Chicago and the OCC, and are also reviewed by our loan review and internal audit staff.

The Company’s Problem Loan Reporting system 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 and, as a result, no longer share similar risk characteristics as its related pool. If that is the case, the individual loan is considered collateral dependent and individually assessed for an allowance for credit loss. The Company’s individual assessment 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 or a charge-off. If the Company determines 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. In determining the appropriate charge-off for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

The Company’s approach to workout plans and restructuring loans is built on the credit-risk rating process. A modification of a loan with an existing credit risk rating of 6 or worse or a modification of any other credit, which will result in a restructured credit risk rating of 6 or worse must be reviewed for TDR classification. In that event, our Managed Assets Division conducts an overall credit and collateral review. A modification of a loan 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 where the credit risk rating is 5 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 5 or better are not experiencing financial difficulties and therefore, are not considered TDRs.

TDRs are individually assessed at the time of the modification and on a quarterly basis to measure an allowance for credit loss. 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 reserve.

For non-TDR loans, 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 loan is individually assessed for measuring the allowance for credit losses and if necessary, a reserve is established. In determining the appropriate reserve for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

Non-Performing Assets

The following table sets forth the Company’s non-performing assets and TDRs performing under the contractual terms of the loan agreement as of the dates shown. Prior to January 1, 2020, PCI loans were aggregated into pools by common risk characteristics for accounting purposes, including recognition of interest income on a pool basis. As a result of the implementation of CECL, beginning in the first quarter of 2020, PCI loans transitioned to a classification of PCD loans, which no longer maintains the prior pools and related accounting concepts. Recognition of interest income on PCD loans is considered at the individual asset level following the Company's accrual policies, instead of based upon the entire pool of loans. Due to the adoption of CECL, the Company included $22.6 million of PCD loans in total non-performing loans as of December 31, 2020.

(In thousands)	2021	2020	2019	2018	2017 [1]
Loans past due greater than 90 days and still accruing[2]:					
Commercial	$ **15**	$ 307	$ —	$ —	$ —
Commercial real estate	**—**	—	—		
Home equity	**—**	—	—	—	—
Residential real estate	**—**	—	—	—	3,278
Premium finance receivables – property & casualty	**7,210**	12,792	11,517	7,799	9,242
Premium finance receivables – life insurance	**7**	—	—	—	—
Consumer and other	**137**	264	163	109	40
Total loans past due greater than 90 days and still accruing	$ **7,369**	$ 13,363	$ 11,680	$ 7,908	$ 12,560
Non-accrual loans[3]:					
Commercial	**20,399**	21,743	37,224	50,984	15,696
Commercial real estate	**21,746**	46,107	26,113	19,129	22,048
Home equity	**2,574**	6,529	7,363	7,147	8,978
Residential real estate	**16,440**	26,071	13,797	16,383	17,977
Premium finance receivables – property & casualty	**5,433**	13,264	20,590	11,335	12,163
Premium finance receivables – life insurance	**—**	—	590	—	—
Consumer and other	**477**	436	231	348	740
Total non-accrual loans	$ **67,069**	$ 114,150	$ 105,908	$ 105,326	$ 77,602
Total non-performing loans[4]:					
Commercial	$ **20,414**	$ 22,050	$ 37,224	$ 50,984	$ 15,696
Commercial real estate	**21,746**	46,107	26,113	19,129	22,048
Home equity	**2,574**	6,529	7,363	7,147	8,978
Residential real estate	**16,440**	26,071	13,797	16,383	21,255
Premium finance receivables – property & casualty	**12,643**	26,056	32,107	19,134	21,405
Premium finance receivables – life insurance	**7**	—	590	—	—
Consumer and other	**614**	700	394	457	780
Total non-performing loans	$ **74,438**	$ 127,513	$ 117,588	$ 113,234	$ 90,162
Other real estate owned	**1,959**	9,711	5,208	11,968	20,244
Other real estate owned – from acquisitions	**2,312**	6,847	9,963	12,852	20,402
Other repossessed assets	**—**	—	4	280	153
Total non-performing assets	$ **78,709**	$ 144,071	$ 132,763	$ 138,334	$ 130,961
Accruing TDRs not included within non-performing assets	$ **37,486**	$ 47,023	$ 36,725	$ 33,281	$ 39,683
Total non-performing loans by category as a percent of its own respective category's period-end balance:					
Commercial	**0.17 %**	0.18 %	0.45 %	0.65 %	0.23 %
Commercial real estate	**0.24**	0.54	0.33	0.28	0.34
Home equity	**0.77**	1.54	1.44	1.29	1.35
Residential real estate	**1.00**	2.07	1.02	1.63	2.55
Premium finance receivables – property & casualty	**0.26**	0.64	0.93	0.67	0.81
Premium finance receivables – life insurance	**0.00**	—	0.01	—	—
Consumer and other	**2.54**	2.17	0.36	0.38	0.72
Total non-performing loans	**0.21 %**	0.40 %	0.44 %	0.48 %	0.42 %
Total non-performing assets as a percentage of total assets	**0.16 %**	0.32 %	0.36 %	0.44 %	0.47 %
Total non-accrual loans as a percentage of of total loans	**0.19 %**	0.36 %	0.40 %	0.44 %	0.36 %
Allowance for credit losses as a percentage of nonaccrual loans	**446.78 %**	332.82 %	149.62 %	146.37 %	179.34 %

(1) Includes $2.6 million of non-performing loans and $2.9 million of other real estate owned reclassified from covered assets as a result of the termination of all existing loss share agreements with the FDIC during the fourth quarter of 2017.

(2) As of December 31, 2021, approximately $ 320,000 of TDRs were past due greater than 90 days and still accruing interest. No TDRs as of December 31, 2020, 2019, 2018. or 2017 were past due greater than 90 days and still accruing interest.

(3) Non-accrual loans included TDRs totaling $11.8 million, $21.2 million, $27.1 million, $32.8 million and $10.1 million as of December 31, 2021, 2020, 2019, 2018, and 2017, respectively.

(4) Includes PCD loans. As a result of the adoption of ASU 2016-13, the Company transitioned all previously classified PCI loans to PCD loans effective January 1, 2020.

At this time, management believes reserves are appropriate to absorb losses that are expected upon the ultimate resolution of these credits. While the ultimate effect of the COVID-19 pandemic on non-performing assets still remains unknown, significant increases may occur in subsequent periods. Management will continue to actively review and monitor its loan portfolios, in an effort to identify problem credits in a timely manner. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operation -Overview section of this report for additional discussion of the impact of the COVID-19 pandemic.

Loan Portfolio Aging

The tables below show the aging of the Company's loan portfolio at December 31, 2021 and 2020:

As of December 31, 2021 **(In thousands)**	Non-accrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial:						
Commercial, industrial and other, excluding PPP loans	**$ 20,399**	**$ —**	**$ 23,492**	**$ 42,933**	**$ 11,258,961**	**$ 11,345,785**
Commercial PPP loans	**—**	**15**	**770**	**928**	**556,570**	**558,283**
Commercial real-estate:						
Construction and development	**1,377**	**—**	**—**	**2,809**	**1,352,018**	**1,356,204**
Non-construction	**20,369**	**—**	**284**	**37,634**	**7,575,795**	**7,634,082**
Home equity	**2,574**	**—**	**—**	**1,120**	**331,461**	**335,155**
Residential real estate	**16,440**	**—**	**982**	**12,420**	**1,607,257**	**1,637,099**
Premium finance receivables:						
Property & casualty insurance loans	**5,433**	**7,210**	**15,490**	**22,419**	**4,804,935**	**4,855,487**
Life insurance loans	**—**	**7**	**12,614**	**66,651**	**6,963,538**	**7,042,810**
Consumer and other	**477**	**137**	**34**	**509**	**23,042**	**24,199**
Total loans, net of unearned income	**$ 67,069**	**$ 7,369**	**$ 53,666**	**$ 187,423**	**$ 34,473,577**	**$ 34,789,104**

As of December 31, 2020 (In thousands)	Non-accrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial:						
Commercial, industrial and other, excluding PPP loans	$ 21,743	$ 307	$ 6,900	$ 44,345	$ 9,166,751	$ 9,240,046
Commercial PPP loans	—	—	—	36	2,715,885	2,715,921
Commercial real-estate:						
Construction and development	5,633	—	—	5,344	1,360,825	1,371,802
Non-construction	40,474	—	5,178	26,772	7,049,906	7,122,330
Home equity	6,529	—	47	637	418,050	425,263
Residential real estate	26,071	—	1,635	12,584	1,219,308	1,259,598
Premium finance receivables:						
Property & casualty insurance loans	13,264	12,792	6,798	18,809	4,002,826	4,054,489
Life insurance loans	—	—	21,003	30,465	5,805,968	5,857,436
Consumer and other	436	264	24	136	31,328	32,188
Total loans, net of unearned income	$ 114,150	$ 13,363	$ 41,585	$ 139,128	$ 31,770,847	$ 32,079,073

As of December 31, 2021, $53.7 million of all loans, or 0.2%, were 60 to 89 days past due and $187.4 million, or 0.5%, were 30 to 59 days (or one payment) past due. As of December 31, 2020, $41.6 million of all loans, or 0.1%, were 60 to 89 days past due and $139.1 million, or 0.4%, were 30 to 59 days (or one payment) past due. Many of the commercial and commercial real estate loans shown as 60 to 89 days and 30 to 59 days past due are included on the Company's internal problem loan reporting system. Loans on this system are closely monitored by management on a monthly basis.

The Company's home equity and residential loan portfolios continue to exhibit low delinquency ratios. Home equity loans at December 31, 2021 that are current with regard to the contractual terms of the loan agreement represent 98.9% of the total home equity portfolio. Residential real estate loans at December 31, 2021 that are current with regards to the contractual terms of the loan agreements comprise 98.2% of these residential real estate loans outstanding.

Non-performing Loans Rollforward

The table below presents a summary of non-performing loans for the periods presented:

(In thousands)	**2021**	2020
Balance at beginning of period	**$ 127,513**	$ 117,588
Additions from becoming non-performing in the respective period	**38,848**	85,993
Additions from the adoption of ASU 2016-13	**—**	37,285
Return to performing status	**(10,592)**	(10,254)
Payments received	**(53,823)**	(53,029)
Transfers to OREO and other repossessed assets	**(6,027)**	(14,557)
Charge-offs, net	**(13,351)**	(29,835)
Net change for niche loans [(1)]	**(8,130)**	(5,678)
Balance at end of period	**$ 74,438**	$ 127,513

(1) This includes activity for premium finance receivables and indirect consumer loans.

Prior to January 1, 2020, PCI loans were excluded from non-performing loans as they continued to earn interest income from the related accretable yield, independent of performance with contractual terms of the loan. As a result of the adoption of ASU 2016-13 effective January 1, 2020, the Company transitioned all previously classified PCI loans to PCD loans, which no longer maintain the prior pools and related accounting concepts. Specifically, recognition of interest income on PCD loans is considered at the individual asset level following the Company's accrual policies, instead of based upon the entire pool of loans. As such, after adoption, the Company includes PCD loans in total non-performing loans.

Allowance for Credit Losses

The allowance for credit losses, specifically the allowance for loan losses and the allowance for unfunded commitment losses, represents management's estimate of lifetime expected credit losses in the loan portfolio. The allowance for credit losses is determined quarterly using a methodology that incorporates important risk characteristics of each loan, as described below under "How We Determine the Allowance for Credit Losses" in this Item 7.

The following table sets forth the allocation of the allowance for credit losses by major loan type and the percentage of loans in each category to total loans for the past five fiscal years:

	December 31, 2021		December 31, 2020		December 31, 2019		December 31, 2018		December 31, 2017	
(In thousands)	**Amount**	**% of Loan Type to Total Loans**	Amount	% of Loan Type to Total Loans	Amount	% of Loan Type to Total Loans	Amount	% of Loan Type to Total Loans	Amount	% of Loan Type to Total Loans
Allowance for credit losses allocation:										
Commercial	**$ 119,307**	**34 %**	$ 94,212	37 %	$ 64,920	31 %	$ 67,826	33 %	$ 57,811	31 %
Commercial real-estate	**144,583**	**26**	243,603	26	68,511	30	61,661	29	56,496	30
Home equity	**10,699**	**1**	11,437	1	3,878	2	8,507	2	10,493	3
Residential real-estate	**8,782**	**5**	12,459	5	9,800	5	7,194	4	6,688	4
Premium finance receivables – property & casualty	**15,246**	**14**	17,267	13	8,132	13	6,144	12	5,356	12
Premium finance receivables – life insurance	**613**	**20**	510	18	1,515	19	1,571	19	1,490	19
Consumer and other	**423**	**—**	422	0	1,705	0	1,261	1	840	1
Total allowance for credit losses	**$ 299,653**	**100 %**	$ 379,910	100 %	$ 158,461	100 %	$ 154,164	100 %	$ 139,174	100 %
Allowance category as a percent of total allowance for credit losses:										
Commercial	**40 %**		25 %		41 %		44 %		42 %	
Commercial real-estate	**48**		64		43		39		40	
Home equity	**4**		3		3		6		7	
Residential real-estate	**3**		3		6		5		5	
Premium finance receivables—property & casualty	**5**		5		5		4		4	
Premium finance receivables—life insurance	**0**		0		1		1		1	
Consumer and other	**0**		0		1		1		1	
Total allowance for credit losses	**100 %**		100 %		100 %		100 %		100 %	

Management determined that the allowance for credit losses was appropriate at December 31, 2021, and that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. While this process involves a high degree of management judgment, the allowance for credit losses is based on a comprehensive, well documented, and

consistently applied analysis of the Company's loan portfolio. This analysis takes into consideration all available information existing as of the financial statement date, including environmental factors such as economic, industry, geographical and political factors, when considered applicable. The relative level of allowance for credit losses is reviewed and compared to industry peers. This review encompasses levels of total non-performing loans, portfolio mix, portfolio concentrations and overall levels of net charge-off. Historical trending of both the Company's results and the industry peers is also reviewed to analyze comparative significance.

Allowance for Credit Losses

The following tables summarize the activity in our allowance for credit losses, specifically related to loans and unfunded lending-related commitments, during the last five fiscal years.

(In thousands)	2021	2020	2019	2018	2017
Allowance for credit losses at beginning of year	**$ 379,910**	$ 158,461	$ 154,164	$ 139,174	$ 123,964
Cumulative effect adjustment from the adoption of ASU 2016-13	**—**	47,344	—	—	—
Provision for credit losses	**(59,280)**	214,235	53,864	34,832	29,982
Initial allowance for credit losses recognized on PCD assets acquired during the period (1)	**470**	—	—	—	—
Other adjustments (2)	**3**	179	(21)	(182)	238
Charge-offs:					
Commercial	**20,801**	18,293	35,880	14,532	5,159
Commercial real estate	**3,293**	15,960	5,402	1,395	4,236
Home equity	**336**	2,061	3,702	2,245	3,952
Residential real estate	**1,082**	891	798	1,355	1,284
Premium finance receivables	**9,020**	15,472	12,902	12,228	7,335
Consumer and other	**487**	528	522	880	729
Total charge-offs	**$ 35,019**	$ 53,205	$ 59,206	$ 32,635	$ 22,695
Recoveries:					
Commercial	**2,559**	5,092	2,845	1,457	1,870
Commercial real estate	**1,304**	1,835	2,516	5,631	2,190
Home equity	**1,203**	528	479	541	746
Residential real estate	**330**	184	422	2,075	452
Premium finance receivables	**7,989**	5,108	3,203	3,069	2,128
Consumer and other	**184**	149	195	202	299
Total recoveries	**$ 13,569**	$ 12,896	$ 9,660	$ 12,975	$ 7,685
Net charge-offs	**$ (21,450)**	$ (40,309)	$ (49,546)	$ (19,660)	$ (15,010)
Allowance for credit losses at year end	**$ 299,653**	$ 379,910	$ 158,461	$ 154,164	$ 139,174
Net charge-offs (recoveries) by category as a percentage of its own respective category's average:					
Commercial	**0.16 %**	0.12 %	0.41 %	0.18 %	0.05 %
Commercial real estate	**0.02**	0.17	0.04	(0.06)	0.03
Home equity	**(0.23)**	0.33	0.61	0.28	0.46
Residential real estate	**0.05**	0.06	0.04	(0.08)	0.11
Premium finance receivables	**0.01**	0.11	0.12	0.13	0.08
Consumer and other	**0.66**	0.52	0.29	0.50	0.34
Total loans, net of unearned income	**0.06 %**	0.13 %	0.20 %	0.09 %	0.07 %
Net charge-offs as a percentage of the provision for credit losses	**NM**	18.82 %	91.99 %	56.44 %	50.06 %
Year-end total loans	**$ 34,789,104**	$ 32,079,073	$ 26,800,290	$ 23,820,691	$ 21,640,797
Allowance for loan losses as a percentage of loans at end of year	**0.71 %**	1.00 %	0.59 %	0.64 %	0.64 %
Allowance for credit losses as a percentage of loans at end of year	**0.86**	1.18	0.59	0.65	0.64
Allowance for credit losses as a percentage of loans at end of year, excluding PPP loans	**0.88**	1.29	0.59	0.65	0.64

(1) The initial allowance for credit losses on PCD loans acquired during the period measured approximately $2.8 million, of which approximately $2.3 million was charged off related to PCD loans that met the Company's charge-off policy at the time of acquisition. After considering these loans that were immediately charged off, the net impact of PCD allowance for credit losses at the acquisition date was approximately $470,000.

(2) Includes $742,000 of allowance for covered loan losses reclassified as a result of the termination of all existing loss share agreements with the FDIC during the fourth quarter of 2017.

NM—Not Meaningful

The allowance for credit losses, as related to loans and lending-related commitments, is comprised of an allowance for loan losses, which is determined with respect to loans that we have originated, and an allowance for unfunded commitment losses. A separate allowance for held-to-maturity securities losses is measured related to such debt securities portfolio. Our allowance for unfunded commitment losses is determined with respect to funds that we have committed to lend but for which funds have not yet been disbursed and is computed using a methodology similar to that used to determine the allowance for loan losses. The allowance for unfunded lending-related commitments totaled $51.8 million as of December 31, 2021 compared to $60.5 million as of December 31, 2020.

Additions to the allowance for credit losses are charged to earnings through the provision for credit losses. Charge-offs represent the amount of loans that have been determined to be uncollectible during a given period, and are deducted from the allowance for credit losses, and recoveries represent the amount of collections received from loans that had previously been charged off, and are credited to the allowance for credit losses. See Note 5 of the Consolidated Financial Statements presented under Item 8 of this report for further discussion of activity within the allowance for credit losses during the period and the relationship with respective loan balances for each loan category and the total loan portfolio.

How We Determine the Allowance for Credit Losses

The allowance for credit losses is measured on a collective or pooled basis by loans that share similar risk characteristics. If the loan no longer exhibits risk characteristics similar to that of a pool, typically due to credit deterioration of the related borrower, the Company analyzes the loan for purposes of individually assessing a specific allowance for credit loss as part of the Problem Loan Reporting system review. A separate reserve is collectively measured for loans continuing to share risk characteristics and, as a result, remaining in the pools. See Note 5 of the Consolidated Financial Statements presented under Item 8 of this report for further discussion of the allowance for credit losses measurement process.

Collective Measurement

The allowance for credit losses is measured on a collective or pooled basis when similar risk characteristics exist, based upon the segmentation discussed above. The Company utilizes modeling methodologies that estimate lifetime credit loss rates on each pool, including methodologies estimating the probability of default and loss given default on specific segments. Historical credit loss history is adjusted for reasonable and supportable forecasts developed by the Company on a quantitative or qualitative basis and incorporates third party economic forecasts. Reasonable and supportable forecasts consider the macroeconomic factors that are most relevant to evaluating and predicting expected credit losses in the Company's financial assets. Currently, the Company utilizes an eight quarter forecast period using a single macroeconomic scenario provided by a third-party and reviewed within the Company's governance structure. For periods beyond the ability to develop reasonable and supportable forecasts, the Company reverts to historical loss rates at an input level, straight-line over a four quarter reversion period. Expected credit losses are measured over the contractual term of the financial asset with consideration of expected prepayments. Expected extensions, renewals or modifications of the financial asset are only considered when either 1) the expected extension, renewal or modification is contained within the existing agreement and is not unconditionally cancelable, or 2) the expected extension, renewal or modification is reasonably expected to result in a TDR. The methodologies discussed above are applied to both current asset balances on the Company's Consolidated Statements of Condition and off-balance sheet commitments (i.e. unfunded lending-related commitments).

Individual Assessment

Loans with a credit risk rating of a 6 through 9 are reviewed on a monthly basis to determine if (a) an amount is deemed uncollectible (a charge-off) or (b) it is probable that the Company will be unable to collect amounts due in accordance with the original contractual terms of the loan. In cases in which collectability is not probable, the loan is considered to no longer exhibit shared risk characteristics of a pool and as a result, is individually assessed for allowance for credit losses measurement purposes. If a loan is individually assessed, the carrying amount of the loan is compared to the expected payments to be received, discounted at the loan’s original rate, or for foreclosure-probable and collateral dependent loans, to the fair value of the collateral less the estimated cost to sell, when appropriate under accounting rules. Any shortfall is recorded as a specific reserve within the allowance for credit losses.

Home Equity, Residential Real Estate and Consumer Loans

The determination of the appropriate allowance for credit losses for home equity, residential real estate and consumer loans differs from the process used for commercial and commercial real estate loans. These portfolios utilize the weighted-average remaining maturity ("WARM") methodology. The WARM methodology is an assumption-based approach that utilizes historical loss and prepayment information as the basis to estimate prepayment and credit adjusted contractual cash flows. The

Company considers a qualitative factor to adjust historical information for current conditions and reasonable and supportable forecasts. The same credit risk rating system and Problem Loan Reporting systems are used. The only significant difference is in how the credit risk ratings are assigned to these loans.

The home equity loan portfolio is reviewed on a loan by loan basis by analyzing current FICO scores of the borrowers, line availability, recent line usage, an approaching maturity and the aging status of the loan. Certain of these factors, or combination of these factors, may cause a portion of the credit risk ratings of home equity loans across all banks to be downgraded. Similar to commercial and commercial real estate loans, once a home equity loan's credit risk rating is downgraded to a 6 through 9, the Company's Managed Asset Division reviews and advises the subsidiary banks as to collateral valuations and as to the ultimate resolution of the credits that deteriorate to a non-accrual status to minimize losses.

Residential real estate loans that are downgraded to a credit risk rating of 6 through 9 also enter the problem loan reporting system and have the underlying collateral evaluated by the Managed Assets Division.

Premium Finance Receivables

The determination of the appropriate allowance for credit losses for premium finance receivables is an assumption-based approach focusing on historical loss rates in the portfolio, adjusted qualitatively for current macroeconomic conditions and reasonable and supportable forecasts.

Methodology in Assessing Impairment and Charge-off Amounts

In determining the amount of reserves or charge-offs associated with collateral dependent loans, the Company values the loan generally by starting with a valuation obtained from an appraisal of the underlying collateral and then deducting estimated selling costs, if appropriate, to arrive at a net appraised value. We obtain the appraisals of the underlying collateral typically on an annual basis from one of a pre-approved list of independent, third party appraisal firms. Types of appraisal valuations include "as-is," "as-complete," "as-stabilized," bulk, fair market, liquidation and "retail sellout" values.

In many cases, the Company simultaneously values the underlying collateral by marketing the property to market participants interested in purchasing properties of the same type. If the Company receives offers or indications of interest, we will analyze the price and review market conditions to assess whether in light of such information the appraised value overstates the likely price and that a lower price would be a better assessment of the market value of the property and would enable us to liquidate the collateral. Additionally, the Company takes into account the strength of any guarantees or other credit enhancements, and the ability of the borrower to provide value related to those guarantees in determining the ultimate charge-off or reserve associated with any individually assessed loans. Accordingly, the Company may charge-off a loan to a value below the net appraised value if it believes that an expeditious liquidation is desirable in the circumstance and it has legitimate offers or other indications of interest to support a value that is less than the net appraised value. Alternatively, the Company may carry a loan at a value that is in excess of the appraised value if the Company has a guarantee from a borrower or other credit enhancements that the Company believes has realizable value. In evaluating the strength of any guarantee, the Company evaluates the financial wherewithal of the guarantor, the guarantor's reputation, and the guarantor's willingness and desire to work with the Company. The Company then conducts a review of the strength of a guarantee on a frequency established as the circumstances and conditions of the borrower warrant.

In circumstances where the Company has received an appraisal but has no third party offers or indications of interest, the Company may enlist the input of realtors in the local market as to the highest valuation that the realtor believes would result in a liquidation of the property given a reasonable marketing period of approximately 90 days. To the extent that the realtors' indication of market clearing price under such scenario is less than the net appraised valuation, the Company may take a charge-off on the loan to a valuation that is less than the net appraised valuation.

The Company may also charge-off a loan below the net appraised valuation if the Company holds a junior mortgage position in a piece of collateral whereby the risk to acquiring control of the property through the purchase of the senior mortgage position is deemed to potentially increase the risk of loss upon liquidation due to the amount of time to ultimately market the property and the volatile market conditions. In such cases, the Company may abandon its junior mortgage and charge-off the loan balance in full.

In other cases, the Company may allow the borrower to conduct a "short sale," which is a sale where the Company allows the borrower to sell the property at a value less than the amount of the loan. Many times, it is possible for the current owner to receive a better price than if the property is marketed by a financial institution which the market place perceives to have a greater desire to liquidate the property at a lower price. To the extent that we allow a short sale at a price below the value indicated by an appraisal, we may take a charge-off beyond the value that an appraisal would have indicated.

Other market conditions may require a reserve to bring the carrying value of the loan below the net appraised valuation such as litigation surrounding the borrower and/or property securing our loan or other market conditions impacting the value of the collateral.

Having determined the net value based on the factors such as those noted above and compared that value to the book value of the loan, the Company arrives at a charge-off amount or a specific reserve included in the allowance for credit losses. In summary, for collateral dependent loans, appraisals are used as the fair value starting point in the estimate of net value. Estimated costs to sell are deducted from the appraised value, when appropriate under current accounting rules, to arrive at the net appraised value. Although an external appraisal is the primary source of valuation utilized for charge-offs on collateral dependent loans, alternative sources of valuation may become available between appraisal dates. As a result, we may utilize values obtained through these alternative sources, which include purchase and sale agreements, legitimate indications of interest, negotiated short sales, realtor price opinions, sale of the note or support from guarantors, as the basis for charge-offs. These alternative sources of value are used only if deemed to be more representative of value based on updated information regarding collateral resolution. In addition, if an appraisal is not deemed current, a discount to appraised value may be utilized. Any adjustments from appraised value to net value are detailed and justified in an impairment analysis, which is reviewed and approved by the Company’s Managed Assets Division.

TDRs

At December 31, 2021, the Company had $49.3 million in loans modified as TDRs. The $49.3 million in TDRs represents 247 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 balance decreased from $68.2 million representing 286 credits at December 31, 2020.

Concessions were granted on a case-by-case basis working with these borrowers to find modified terms that would assist them in retaining their businesses or their homes and attempt to keep these loans in an accruing status for the Company. Typical concessions include reduction of the interest rate on the loan to a rate considered lower than market and other modification of terms including forgiveness of a portion of the loan balance, extension of the maturity date, and/or modifications from principal and interest payments to interest-only payments for a certain period. See Note 5, “Allowance for Credit Losses” of Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for further discussion regarding the effectiveness of these modifications in keeping the modified loans current based upon contractual terms.

Subsequent to its restructuring, any TDR that becomes nonaccrual or more than 90 days past-due and still accruing interest will be included in the Company’s nonperforming loans. Each TDR was individually assessed when measuring the allowance for credit losses at December 31, 2021 and approximately $3.3 million was appropriately reserved for through the Company’s normal reserving methodology in the Company’s allowance for credit losses. Additionally, at December 31, 2021, the Company was committed to lend additional funds to borrowers totaling $11,000 under the contractual terms related to TDRs compared to $1.1 million commitments to lend additional funds to borrowers at December 31, 2020.

The table below presents a summary of TDRs for the respective periods, presented by loan category and accrual status:

(In thousands)	December 31, 2021	December 31, 2020
Accruing TDRs:		
Commercial	**$ 4,131**	$ 7,699
Commercial real estate	**8,421**	10,549
Residential real estate and other	**24,934**	28,775
Total accruing TDRs	**$ 37,486**	$ 47,023
Non-accrual TDRs: (1)		
Commercial	**$ 6,746**	$ 10,491
Commercial real estate	**2,050**	6,177
Residential real estate and other	**3,027**	4,501
Total non-accrual TDRs	**$ 11,823**	$ 21,169
Total TDRs:		
Commercial	**$ 10,877**	$ 18,190
Commercial real estate	**10,471**	16,726
Residential real estate and other	**27,961**	33,276
Total TDRs	**$ 49,309**	$ 68,192

(1) Included in total non-performing loans.

TDR Rollforward

The table below presents a summary of TDRs as of December 31, 2021, 2020 and 2019, and shows the changes in the balance during those periods:

Year Ended December 31, 2021 (In thousands)	**Commercial**	**Commercial Real Estate**	**Residential Real Estate and Other**	**Total**
Balance at beginning of period	**$ 18,190**	**$ 16,726**	**$ 33,276**	**$ 68,192**
Additions during the period	**5,074**	**2,944**	**5,851**	**13,869**
Reductions:				
Charge-offs	**(2,639)**	**(200)**	**(28)**	**(2,867)**
Transferred to OREO and other repossessed assets	**(99)**	**—**	**(459)**	**(558)**
Removal of TDR loan status (1)	**(2,121)**	**(800)**	**(1,710)**	**(4,631)**
Payments received	**(7,528)**	**(8,199)**	**(8,969)**	**(24,696)**
Balance at period end	**$ 10,877**	**$ 10,471**	**$ 27,961**	**$ 49,309**

Year Ended December 31, 2020 (In thousands)	Commercial	Commercial Real Estate	Residential Real Estate and Other	Total
Balance at beginning of period	$ 18,739	$ 16,873	$ 28,224	$ 63,836
Additions during the period	12,362	19,281	14,229	45,872
Reductions:				
Charge-offs	(5,016)	(8,004)	(715)	(13,735)
Transferred to OREO and other repossessed assets	—	(857)	(945)	(1,802)
Removal of TDR loan status (1)	(65)	(257)	(1,202)	(1,524)
Payments received	(7,830)	(10,310)	(6,315)	(24,455)
Balance at period end	$ 18,190	$ 16,726	$ 33,276	$ 68,192

Year Ended December 31, 2019 (In thousands)	Commercial	Commercial Real Estate	Residential Real Estate and Other	Total
Balance at beginning of period	$ 36,319	$ 15,447	$ 14,336	$ 66,102
Additions during the period	26,341	7,018	20,206	53,565
Reductions:				
Charge-offs	(20,771)	(589)	38	(21,322)
Transferred to OREO and other repossessed assets	—	—	—	—
Removal of TDR loan status [1]	—	(856)	—	(856)
Payments received	(23,150)	(4,147)	(6,356)	(33,653)
Balance at period end	$ 18,739	$ 16,873	$ 28,224	$ 63,836

(1) Loan was previously classified as a TDR and subsequently performed in compliance with the loan's modified terms for a period of six months (including over a calendar year-end) at a modified interest rate which represented a market rate at the time of restructuring. Per our TDR policy, the TDR classification is removed.

Potential Problem Loans

Management believes that any loan where there are serious doubts as to the ability of such borrowers to comply with the present loan repayment terms should be identified as a non-performing loan and should be included in the disclosure of "Past Due Loans and Non-Performing Assets." At the periods presented in this Annual Report on Form 10-K, the Company has no potential problem loans as defined by SEC regulations.

COVID-19 Modifications

On March 22, 2020 interagency guidance was issued titled "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" that encourages financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations due to the effect of COVID-19. Additionally, Section 4013 of the CARES Act further provides that a qualified loan modification is exempt by law from classification as a TDR as defined by GAAP, from the period beginning March 1, 2020, until the earlier of December 31, 2020 (subsequently extended to January 1, 2022 under CAA), or the date that is 60 days after the date on which the national emergency concerning the COVID-19 outbreak declared by the President of the United States under the National Emergencies Act (50 U.S.C. 1601 et seq.) terminates. Accordingly, we offered short-term modifications made in response to COVID-19 to borrowers who were current and otherwise not past due. These included short-term, 180 days or less, modifications in the form of payment deferrals, fee waivers, extensions of repayment terms, or other delays in payment that are insignificant. Modifications qualifying for the exemption from TDR classification totaled approximately $33.6 million as of December 31, 2021 compared to $279.6 million as of December 31, 2020.

The tables below present a summary of all COVID-19 related modified loans, including those not qualifying for the exemption under Section 4013, as of December 31, 2021 and 2020, presented by loan category and type of modification:

Year Ended December 31, 2021 (In thousands)	Interest-only	Full Payment Deferral	Line Increases	Other	Total
Commercial	**$ 168**	**$ 2,847**	**$ —**	**$ —**	**$ 3,015**
Commercial real estate	**36,364**	**929**	**—**	**3,289**	**40,582**
Home equity	**—**	**—**	**—**	**—**	**—**
Residential real estate	**—**	**—**	**—**	**—**	**—**
Premium finance receivables	**—**	**698**	**—**	**—**	**698**
Consumer and other	**—**	**—**	**—**	**—**	**—**
Total loans, net of unearned income	**$ 36,532**	**$ 4,474**	**$ —**	**$ 3,289**	**$ 44,295**

Year Ended December 31, 2020 (In thousands)	Interest-only	Full Payment Deferral	Line Increases	Other	Total
Commercial	$ 118,186	$ 22,299	$ 45,530	$ 9,905	$ 195,920
Commercial real estate	78,213	44,391	—	13,718	136,322
Home equity	—	1,469	—	—	1,469
Residential real estate	—	407	—	—	407
Premium finance receivables	—	10,673	—	—	10,673
Consumer and other	—	29	—	—	29
Total loans, net of unearned income	$ 196,399	$ 79,268	$ 45,530	$ 23,623	$ 344,820

Other Real Estate Owned

In certain circumstances, the Company is required to take action against the real estate collateral of specific loans. The Company uses foreclosure only as a last resort for dealing with borrowers experiencing financial hardships. The Company employs extensive contact and restructuring procedures to attempt to find other solutions for our borrowers. The tables below present a summary of other real estate owned and show the activity for the respective periods and the balance for each property type:

	Year Ended	
(In thousands)	**December 31, 2021**	December 31, 2020
Balance at beginning of period	**$ 16,558**	$ 15,171
Disposal/resolved	**(16,927)**	(10,776)
Transfers in at fair value, less costs to sell	**5,837**	13,239
Fair value adjustments	**(1,197)**	(1,076)
Balance at end of period	**$ 4,271**	$ 16,558

	Period End	
(In thousands)	**December 31, 2021**	December 31, 2020
Residential real estate	**$ 1,310**	2,324
Residential real estate development	**—**	1,691
Commercial real estate	**2,961**	12,543
Total	**$ 4,271**	16,558

Deposits and Other Funding Sources

Total deposits at December 31, 2021, were $42.1 billion, increasing $5.0 billion, or 13%, compared to the $37.1 billion at December 31, 2020. Average deposit balances in 2021 were $39.0 billion, reflecting an increase of $5.0 billion, or 15%, compared to the average balances in 2020.

The increase in year end and average deposits in 2021 over 2020 is primarily attributable to the Company's continued overall growth during 2021, including additional deposits related to PPP lending. Average non-interest bearing deposits increased $3.2 billion, or 34% in 2021 compared to 2020, with period end balances ending at 34% of total deposits at December 31, 2021, compared to 32% at December 31, 2020.

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

	Years Ended December 31,					
	2021		2020		2019	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Non-interest bearing deposits	**$ 12,638,518**	**32 %**	$ 9,432,090	28 %	$ 6,711,298	25 %
NOW and interest-bearing demand deposits	**3,711,489**	**10**	3,298,554	10	2,903,441	11
Wealth management deposits	**4,429,929**	**11**	3,882,975	11	2,761,936	10
Money market accounts	**10,051,444**	**26**	8,874,488	26	6,659,376	24
Savings accounts	**3,734,162**	**10**	3,354,662	10	2,834,381	10
Time certificates of deposit	**4,447,871**	**11**	5,142,938	15	5,467,192	20
Total average deposits	**$ 39,013,413**	**100 %**	$ 33,985,707	100 %	$ 27,337,624	100 %

Wealth management deposits are funds from the brokerage customers of Wintrust Investments, CDEC, trust and asset management customers of the Company and brokerage customers from unaffiliated companies which have been placed into deposit accounts of the banks ("wealth management deposits" in the table above). Wealth management deposits consist primarily of money market accounts. Consistent with reasonable interest rate risk parameters, these funds have generally been invested in loan production of the banks as well as other investments suitable for banks.

Other Funding Sources. Although deposits are the Company's primary source of funding its interest-earning assets, the Company's ability to manage the types and terms of deposits is somewhat limited by customer preferences and market competition. As a result, in addition to deposits and the issuance of equity securities and the retention of earnings, the Company uses several other funding sources to support its growth. These sources include short-term borrowings, notes payable, FHLB advances, subordinated debt, secured borrowings and junior subordinated debentures. The Company evaluates the terms and unique characteristics of each source, as well as its asset-liability management position, in determining the use of such funding sources.

The following table sets forth, by category, the composition of the average balances of other funding sources for the periods presented:

	Years Ended December 31,			
	2021		2020	
(Dollars in thousands)	**Average Balance**	**Percent of Total**	Average Balance	Percent of Total
Federal Home Loan Bank advances	**$ 1,236,478**	**51 %**	$ 1,156,106	49 %
Subordinated notes	**436,697**	**18**	436,275	19
Notes payable	**93,581**	**4**	122,091	5
Short-term borrowings	**13,931**	**1**	17,965	1
Other	**64,133**	**2**	60,908	3
Secured borrowings	**343,012**	**14**	295,729	12
Total other borrowings	**514,657**	**21**	496,693	21
Junior subordinated debentures	**253,566**	**10**	253,566	11
Total other funding sources	**$ 2,441,398**	**100 %**	$ 2,342,640	100 %

Notes payable balances represent the balances on a loan agreement ("Credit Agreement") with unaffiliated banks consisting of a $100.0 million revolving credit facility ("Revolving Credit Facility") and a $150.0 million term facility ("Term Facility"). Both the Revolving Credit Facility and the Term Facility are available for corporate purposes such as to provide capital to fund continued growth at existing bank subsidiaries, possible future acquisitions and for other general corporate matters. In December of 2021, the Revolving Credit Facility was amended to increase the commitment amount by $50.0 million for a total commitment of $100.0 million. At December 31, 2021, the Company had a notes payable balance of $80.3 million under the Term Facility. At December 31, 2021, the Company had no outstanding balance under the Revolving Credit Facility. See Note 13, "Other Borrowings," to the Consolidated Financial Statements in Item 8 for further discussion of notes payable.

FHLB advances provide the banks with access to fixed-rate funds which are useful in mitigating interest rate risk and achieving an acceptable interest rate spread on fixed-rate loans or securities. FHLB advances to the banks totaled $1.2 billion at December 31, 2021 and $1.2 billion at December 31, 2020. See Note 11, "Federal Home Loan Bank Advances," to the Consolidated Financial Statements in Item 8 for further discussion of the terms of these advances.

The balance of secured borrowings primarily represents a third party Canadian transaction ("Canadian Secured Borrowing"). Under the Canadian Secured Borrowing, the Company, through its subsidiary, FIFC Canada, sells an undivided co-ownership interest in all receivables owed to FIFC Canada to an unrelated third party in exchange for cash payments pursuant to a receivables purchase agreement ("Receivables Purchase Agreement"). See Note 13, "Other Borrowings," to the Consolidated Financial Statements in Item 8 for further discussion of these secured borrowings under this agreement. At December 31, 2021, the translated balance of the secured borrowings totaled $332.2 million.

At December 31, 2021 and 2020, subordinated notes totaled $436.9 million and $436.5 million, respectively. During 2019, the Company issued $300.0 million of subordinated notes receiving $296.7 million in proceeds, net of underwriting discount. The notes have a stated interest rate of 4.85% and mature in June 2029. During 2014, the Company issued $140.0 million of subordinated notes receiving $139.1 million in proceeds, net of underwriting discount. The notes have a stated interest rate of 5.00% and mature in June 2024. See Note 12, "Subordinated Notes," to the Consolidated Financial Statements in Item 8 for further discussion.

Short-term borrowings include securities sold under repurchase agreements and federal funds purchased. These borrowings totaled $9.2 million and $11.4 million at December 31, 2021 and 2020, respectively. Securities sold under repurchase agreements represent sweep accounts for certain customers in connection with master repurchase agreements at the banks as well as short-term borrowings from banks and brokers. This funding category typically fluctuates based on customer preferences and daily liquidity needs of the banks, their customers and the banks' operating subsidiaries. See Note 13, "Other Borrowings," to the Consolidated Financial Statements in Item 8 for further discussion of these borrowings.

The Company has $253.6 million of junior subordinated debentures outstanding as of December 31, 2021 and 2020. The amounts reflected on the balance sheet represent the junior subordinated debentures issued to eleven trusts by the Company and equal the amount of the preferred and common securities issued by the trusts. See Note 14, "Junior Subordinated Debentures," to the Consolidated Financial Statements in Item 8 for further discussion of the Company's junior subordinated debentures. Starting in 2016, none of the junior subordinated debentures qualified as Tier 1 regulatory capital of the Company resulting in $245.5 million of the junior subordinated debentures, net of common securities, being included in the Company's Tier 2 regulatory capital.

Other borrowings at December 31, 2021 include a fixed-rate promissory note issued by the Company in June 2017 and amended in March 2020 ("Fixed-Rate Promissory Note") related to and secured by three office buildings owned by the Company. At December 31, 2021, the Fixed-Rate Promissory Note had a balance of $63.3 million. Under the Fixed-Rate Promissory Note, during the three months ended March 31, 2020 and the twelve months ended December 31, 2019 the Company made monthly principal payments and paid interest at a fixed rate of 3.36%. An amendment to the Fixed-Rate Promissory Note was executed on and became effective as of March 31, 2020. The amendment increased the principal amount to $66.4 million, reduced the interest rate to 3.00% and extended the maturity date to March 31, 2025. See Note 13, "Other Borrowings," to the Consolidated Financial Statements in Item 8 for further discussion of these borrowings.

In response to the COVID-19 pandemic, the Company will continue to manage funding sources discussed above, including the utilization of availability with the FHLB and FRB and the Revolving Credit Facility with unaffiliated banks, to access needed liquidity in a timely manner.

Shareholders' Equity. Total shareholders' equity was $4.5 billion at December 31, 2021, an increase of $382.7 million from the December 31, 2020 total of $4.1 billion. The increase in 2021 was primarily a result of net income of $466.2 million, $50.2 million of net unrealized gains on cash flow hedges, net of tax, $19.8 million from the issuance of shares of the Company's

common stock pursuant to various stock compensation plans, net of treasury shares, $16.2 million of stock-based compensation costs credited to surplus and $0.5 million of foreign currency translation adjustments, net of tax. These increases to total shareholders' equity were partially offset by common stock dividends of $70.7 million, preferred stock dividends of $28.0 million, $62.0 million in net unrealized losses from investment securities, net of tax, and common stock repurchased under authorized program of $9.5 million. See Note 23, "Shareholders' Equity," to the Consolidated Financial Statements in Item 8 for further discussion of shareholders' equity.

Liquidity and Capital Resources

The Company and the banks are subject to various regulatory capital requirements established by the federal banking agencies that take into account risk attributable to balance sheet and off-balance sheet activities. Failure to meet minimum capital requirements can initiate certain mandatory — and possibly discretionary — actions by regulators, that if undertaken could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the banks must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Federal Reserve's capital guidelines require bank holding companies to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.50% must be in the form of Common Equity Tier 1 capital and 6.0% must be in the form of Tier 1 capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 capital to total assets of 4.0%. In addition, the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities.

The following table summarizes the capital guidelines for bank holding companies as of December 31, 2021, as well as certain ratios relating to the Company's equity and assets as of December 31, 2021, 2020 and 2019:

	Minimum Ratios	**Minimum Ratio + Capital Conservation Buffer (1)**	**Minimum Well Capitalized Ratios (2)**	**2021**	**2020**	**2019**
Common Equity Tier 1 capital to risk-weighted assets	4.5 %	7.00%	N/A	**8.6 %**	8.8 %	9.2 %
Tier 1 capital to risk-weighted assets	6.0	8.50	6.0	**9.6**	10.0	9.6
Total capital to risk-weighted assets	8.0	10.50	10.0	**11.6**	12.6	12.2
Tier 1 leverage ratio	4.0	N/A	N/A	**8.0**	8.1	8.7
Total average equity to total average assets	N/A	N/A	N/A	**9.0**	9.5	10.4
Dividend payout ratio	N/A	N/A	N/A	**16.4**	23.9	16.6

(1) *Reflects the Capital Conservation Buffer of 2.5%.*
(2) *Reflects the well-capitalized standard applicable to the Company for purposes of the Federal Reserve's Regulation Y. The Federal Reserve has not yet revised the well-capitalized standard for BHCs to reflect the higher capital requirements imposed under the U.S. Basel III Rule or to add Common Equity Tier 1 capital ratio and Tier 1 leverage ratio requirements to this standard. As a result, the Common Equity Tier 1 capital ratio and Tier 1 leverage ratio are denoted as "N/A" in this column. If the Federal Reserve were to apply the same or a very similar well-capitalized standard to BHCs as the standard applicable to our subsidiary banks, the Company's capital ratios as of December 31, 2021 would exceed such revised well-capitalized standard.*

As reflected in the table, each of the Company's capital ratios at December 31, 2021, exceeded the well-capitalized ratios established by the Federal Reserve. Refer to Note 19 to the Consolidated Financial Statements in Item 8 for further information on the capital positions of the banks.

The Company's principal sources of funds at the holding company level are dividends from its subsidiaries, borrowings under its loan agreement with unaffiliated banks and proceeds from the issuances of subordinated debt and additional equity. Refer to Notes 12, 13, 14 and 23 to the Consolidated Financial Statements in Item 8 for further information on the Company's subordinated notes, other borrowings, junior subordinated debentures and shareholders' equity, respectively. Management is committed to maintaining the Company's capital levels above the "Well Capitalized" levels established by the Federal Reserve for bank holding companies.

In June 2015, the Company issued and sold 5,000,000 shares of fixed-to-floating non-cumulative perpetual preferred stock, Series D, liquidation preference of $25 per share (the "Series D Preferred Stock") for $125.0 million in a public offering. When, as and if declared, dividends on the Series D Preferred Stock are payable quarterly in arrears at a rate of 6.50% per annum from the original issuance date to, but excluding, July 15, 2025, and from (and including) that date at a floating rate equal to three-month LIBOR plus a spread of 4.06% per annum. The dividend rate of such floating rate dividends will be reset quarterly. The Company received proceeds, after deducting underwriting discounts, commissions and related costs, of approximately $120.8 million from the issuance, which were intended to be used for general corporate purposes. The Series D Preferred Stock is listed on the NASDAQ Global Select Market under the symbol “WTFCM.” In January, April, July and October of 2021, Wintrust declared a quarterly cash dividend of $0.41 per share of Series D Preferred Stock.

In May 2020, the Company issued 11,500 shares of fixed-rate reset non-cumulative perpetual preferred stock, Series E, liquidation preference $25,000 per share (the “Series E Preferred Stock”) as part of a $287.5 million public offering of 11,500,000 depositary shares, each representing a 1/1,000th interest in a share of Series E Preferred Stock. When, as and if declared, dividends on the Series E Preferred Stock are payable quarterly in arrears at a fixed rate of 6.875% per annum from October 15, 2020 to, but excluding, July 15, 2025, and from (and including) July 15, 2025 at a floating rate equal to the Five-Year Treasury Rate (as defined in the certificate of designations for the Series E Preferred Stock) plus 6.507%. See Note 23, “Shareholders’ Equity” to the Consolidated Financial Statements in Item 8 for more information on the Series E Preferred Stock. In January, April, July and October of 2021, Wintrust declared a quarterly cash dividend of $429.69 per share of Series E Preferred Stock.

The Board approved the first semi-annual dividend on the Company’s common stock in January 2000 and continued to approve semi-annual dividends until quarterly dividends were approved starting in 2014. The payment of dividends is also subject to statutory restrictions and restrictions arising under the terms of the Company's Series D and Series E Preferred Stock, the Company’s trust preferred securities offerings units and under certain financial covenants in the Company’s revolving and term facilities. Under the terms of these separate revolving and term facilities entered into on September 18, 2018, the Company is prohibited from paying dividends on any equity interests, including its common stock and preferred stock, if such payments would cause the Company to be in default under its facilities or exceed a certain threshold. In January, April, July and October of 2021, Wintrust declared a quarterly cash dividend of $0.31 per common share. In January, April, July and October of 2020, Wintrust declared a quarterly cash dividend of $0.28 per common share. In January of 2022, Wintrust declared a quarterly cash dividend of $0.34 per common share. Taking into account the limitations on the payment of dividends, the final determination of timing, amount and payment of dividends is at the discretion of the Company’s Board of Directors and will depend on the Company’s earnings, financial condition, capital requirements and other relevant factors.

Banking laws impose restrictions upon the amount of dividends that can be paid to the holding company by the banks. Based on these laws, the banks could, subject to minimum capital requirements, declare dividends to the Company without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years.

Since the banks are required to maintain their capital at the well-capitalized level (due to the Company being a financial holding company), funds otherwise available as dividends from the banks are limited to the amount that would not reduce any of the banks’ capital ratios below the well-capitalized level. During 2021, 2020 and 2019, the subsidiaries paid dividends to Wintrust totaling $145.0 million, $253.0 million, and $139.0 million, respectively. As of December 31, 2021, subject to minimum capital requirements at the banks, approximately $431.9 million was available as dividends from the banks without prior regulatory approval and without compromising the banks’ well-capitalized positions.

In response to the COVID-19 pandemic, the Company continues to leverage its capital management framework to assess and monitor risk when making capital decisions. The Company will continuously evaluate the adequacy of capital as a result of the uncertainty from the COVID-19 pandemic.

Liquidity management at the banks involves planning to meet anticipated funding needs at a reasonable cost. Liquidity management is guided by policies, formulated and monitored by the Company’s senior management and each Bank’s asset/liability committee, which take into account the marketability of assets, the sources and stability of funding and the level of unfunded commitments. The banks’ principal sources of funds are deposits, short-term borrowings and capital contributions from the holding company. In addition, the banks are eligible to borrow under FHLB advances and at the FRB Discount Window, another source of liquidity.

In accordance with the liquidity management noted above, deposit growth and increases in borrowings from various sources have resulted in accumulating liquidity assets in recent periods. In 2021, we increased our liquid assets to ensure that we have the balance sheet strength to serve our clients through the COVID-19 pandemic. As a result, the Company believes that it has sufficient funds and access to funds to effectively manage through the COVID-19 pandemic as well as meet its working capital and other needs. The Company will continue to prudently evaluate liquidity sources, including the management of availability with the FHLB and FRB and utilization of the revolving credit facility with unaffiliated banks.

Core deposits are the most stable source of liquidity for community banks due to the nature of long-term relationships generally established with depositors and the security of deposit insurance provided by the FDIC. Core deposits are generally defined in the industry as total deposits less time deposits with balances greater than $100,000. Due to the affluent nature of many of the communities that the Company serves, management believes that many of its time deposits with balances in excess of $100,000 are also a stable source of funds. Currently, standard deposit insurance coverage is $250,000 per depositor per insured bank, for each account ownership category.

While the Company obtains a portion of its total deposits through brokered deposits, the Company does so primarily as an asset-liability management tool to assist in the management of interest rate risk, and the Company does not consider brokered deposits to be a vital component of its current liquidity resources. Historically, brokered deposits have represented a small component of the Company's total deposits outstanding, as set forth in the table below:

	December 31,				
(Dollars in thousands)	**2021**	2020	2019	2018	2017
Total deposits	**$ 42,095,585**	$ 37,092,651	$ 30,107,138	$ 26,094,678	$ 23,183,347
Brokered Deposits [1]	**1,591,083**	1,843,227	1,011,404	1,071,562	1,445,306
Brokered deposits as a percentage of total deposits [1]	**3.8 %**	5.0 %	3.4 %	4.1 %	6.2 %

(1) *Brokered Deposits include certificates of deposit obtained through deposit brokers, deposits received through the Certificate of Deposit Account Registry Program, as well as wealth management deposits of brokerage customers from unaffiliated companies which have been placed into deposit accounts of the banks.*

The banks routinely accept deposits from a variety of municipal entities. Typically, these municipal entities require that banks pledge marketable securities to collateralize these public deposits. At December 31, 2021 and 2020, the banks had approximately $2.6 billion and $2.4 billion, respectively, of securities collateralizing public deposits and other short-term borrowings. Public deposits requiring pledged assets are not considered to be core deposits, however they provide the Company with a reliable, lower cost, short-term funding source than what is available through many other wholesale alternatives.

Other than as discussed in this section, the Company is not aware of any known trends, commitments, events, regulatory recommendations or uncertainties that would have any material adverse effect on the Company's capital resources, operations or liquidity.

CONTRACTUAL OBLIGATIONS, OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

The Company has various financial obligations, including contractual obligations and commitments, that may require future cash payments.

Contractual Obligations. Our significant contractual obligations with third parties primarily consist of deposit liabilities and other sources of funding for our businesses, including FHLB advances, subordinated debt, other debt borrowings and junior subordinated debentures. These debt obligations have fixed and determinable contractual repayment dates specific to each type of instrument. Deposit liabilities are primarily due on-demand, with certain time deposits due based on contractual maturities that may exceed one year. Repayment of debt obligations, including junior subordinated debentures, vary based on terms of the underlying debt instrument, with certain debt instruments requiring full repayment of the debt at the respective maturity date and other debt instruments requiring periodic partial repayment over the entire term of the debt instrument. Further information on these debt obligations is included in Notes 10 through 14 of the Consolidated Financial Statements in Item 8 of this report.

The Company enters into various leasing arrangements with contractual obligations to pay for use of specified assets over a specific period of time. These leased assets primarily related to certain banking facilities as well as specific signage related to sponsorships and other agreements, and certain automatic teller machines and other equipment. Payments under these obligations are primarily made on a monthly basis. Further information on these lease obligations is included in Note 16 of the Consolidated Financial Statements in Item 8 of this report.

The Company's other purchase obligations relate to certain contractual cash obligations for acquisition related contingent costs, marketing obligations and services related to the construction of facilities, data processing and the outsourcing of certain operational activities. In 2021, the Company continued to significantly invest in technology, including enhancements to our customer's digital experience, and we are subject to additional contractual purchase obligations in furtherance of these efforts.

The Company also enters into derivative contracts under which the Company is required to either receive cash from or pay cash to counterparties depending on changes in interest rates. Derivative contracts are carried at fair value representing the net present value of expected future cash receipts or payments based on market rates as of the balance sheet date. Further information on derivative contracts is included in Note 21 of the Consolidated Financial Statements in Item 8 of this report.

Commitments. The following table presents a summary of the amounts and expected maturities of significant commitments as of December 31, 2021. Further information on these commitments is included in Note 20 of the Consolidated Financial Statements in Item 8 of this report.

(Dollars in thousands)	One year or less	From one to three years	From three to five years	Over five years	Total
Commitment type:					
Commercial, commercial real estate and construction	$ 3,606,504	$ 2,837,210	$ 1,053,478	$ 333,451	$ 7,830,643
Residential real estate	589,964	—	—	—	589,964
Revolving home equity lines of credit	749,425	—	—	—	749,425
Letters of credit	282,512	28,684	39,500	355	351,051
Commitments to sell mortgage loans	952,291	—	—	—	952,291

Our remaining commitment to fund community investments totaled $40.3 million, which includes future cash outlays for the construction and development of properties for low-income housing, support for small businesses, and historic tax credit projects that qualify for CRA purposes. These commitments are not included in the commitments table above, as the timing and amounts are based upon the financing arrangements provided in each project's partnership or operating agreement and could change due to variances in the construction schedule, project revisions, or the cancellation of the project.

Contingencies. The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements usually require certain representations concerning credit information, loan documentation, collateral and insurability. Investors have requested the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. Upon completion of its own investigation, the Company generally repurchases or provides indemnification on certain loans. Indemnification requests are generally received within two years subsequent to sale. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans and current economic conditions. At December 31, 2021, the liability for estimated losses on repurchase and indemnification was approximately $675,000 and was included in other liabilities on the balance sheet.

Forward Looking Statements

This document contains forward-looking statements within the meaning of federal securities laws. Forward-looking information can be identified through the use of words such as "intend," "plan," "project," "expect," "anticipate," "believe," "estimate," "contemplate," "possible," "will," "may," "should," "would" and "could." Forward-looking statements and information are not historical facts, are premised on many factors and assumptions, and represent only management's expectations, estimates and projections regarding future events. Similarly, these statements are not guarantees of future performance and involve certain risks and uncertainties that are difficult to predict such as the impact of the COVID-19 pandemic (including the emergence of variant strains). The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward- looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to the Company's future financial performance, the performance of its loan portfolio, the expected amount of future credit reserves and charge-offs, delinquency trends, growth plans, regulatory developments, securities that the Company may offer from time to time, and management's long-term performance goals, as well as statements relating to the anticipated effects on financial condition and results of operations from expected developments or events, the Company's business and growth strategies, including future acquisitions of banks, specialty finance or wealth management businesses, internal growth and plans to form additional de novo banks or branch offices. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors and uncertainties, including those discussed in the Risk Factors and summary thereof disclosed under Item 1A of this Annual Report on 10-K and in any of the Company's subsequent SEC filings.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Effects of Inflation

A banking organization’s assets and liabilities are primarily monetary. Changes in the rate of inflation do not have as great an impact on the financial condition of a bank as do changes in interest rates. Moreover, interest rates do not necessarily change at the same percentage as inflation. Accordingly, changes in inflation are not expected to have a material impact on the Company.

Asset-Liability Management

As an ongoing part of its financial strategy, the Company attempts to manage the impact of fluctuations in market interest rates on net interest income. This effort entails providing a reasonable balance between interest rate risk, credit risk, liquidity risk and maintenance of yield. Asset-liability management policies are established and monitored by management in conjunction with the boards of directors of the banks, subject to general oversight by the Risk Management Committee of the Company’s Board. The policies establish guidelines for acceptable limits on the sensitivity of the market value of assets and liabilities to changes in interest rates.

Interest rate risk arises when the maturity or re-pricing periods and interest rate indices of the interest earning assets, interest bearing liabilities, and derivative financial instruments are different. It is the risk that changes in the level of market interest rates will result in disproportionate changes in the value of, and the net earnings generated from, the Company’s interest earning assets, interest bearing liabilities and derivative financial instruments. The Company continuously monitors not only the organization’s current net interest margin, but also the historical trends of these margins. In addition, management attempts to identify potential adverse changes in net interest income in future years as a result interest rate fluctuations by performing simulation analysis of various interest rate environments. If a potential adverse change in net interest margin and/or net income is identified, management takes appropriate action with its asset-liability structure to mitigate these potentially adverse situations. Please refer to Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further discussion of the net interest margin.

Since the Company’s primary source of interest bearing liabilities is from customer deposits, the Company’s ability to manage the types and terms of such deposits is somewhat limited by customer preferences and local competition in the market areas in which the banks operate. The rates, terms and interest rate indices of the Company’s interest earning assets result primarily from the Company’s strategy of investing in loans and securities that permit the Company to limit its exposure to interest rate risk, together with credit risk, while at the same time achieving an acceptable interest rate spread.

The Company’s exposure to interest rate risk is reviewed on a regular basis by management and the Risk Management Committees of the boards of directors of the banks and the Company. The objective of the review is to measure the effect on net income and to adjust balance sheet and derivative financial instruments to minimize the inherent risk while at the same time maximize net interest income.

The following interest rate scenarios display the percentage change in net interest income over a one-year time horizon assuming increases and decreases of 100 and 200 basis points. The Static Shock Scenario results incorporate actual cash flows and repricing characteristics for balance sheet instruments following an instantaneous, parallel change in market rates based upon a static (i.e. no growth or constant) balance sheet. Conversely, the Ramp Scenario results incorporate management’s projections of future volume and pricing of each of the product lines following a gradual, parallel change in market rates over twelve months. Actual results may differ from these simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies. The interest rate sensitivity for both the Static Shock and Ramp Scenarios at December 31, 2021 and December 31, 2020 is as follows:

Static Shock Scenarios	+200 Basis Points	+100 Basis Points	-100 Basis Points	-200 Basis Points
December 31, 2021	**25.3 %**	**12.4 %**	**(8.5)%**	**(15.8)%**
December 31, 2020	25.0	11.6	(7.9)	(16.0)

Ramp Scenarios	+200 Basis Points	+100 Basis Points	-100 Basis Points	-200 Basis Points
December 31, 2021	**13.9 %**	**6.9 %**	**(5.6)%**	**(10.8)%**
December 31, 2020	11.4	5.7	(3.3)	(6.9)

One method utilized by financial institutions, including the Company, to manage interest rate risk is to enter into derivative financial instruments. Derivative financial instruments include interest rate swaps, interest rate caps, floors and collars, futures, forwards, option contracts and other financial instruments with similar characteristics. Additionally, the Company enters into commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors. See Note 21, “Derivative Financial Instruments,” to the Consolidated Financial Statements in Item 8 of this Annual Report on Form 10-K for further information on the Company’s derivative financial instruments.

During 2021 and 2020, the Company entered into certain covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to economically hedge positions and compensate for net interest margin compression by increasing the total return associated with the related securities through fees generated from these options. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these options contributes to the Company’s overall profitability. The Company’s exposure to interest rate risk may be impacted by these transactions. To further mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no covered call options outstanding as of December 31, 2021 or 2020.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Wintrust Financial Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of condition of Wintrust Financial Corporation and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 25, 2022 expressed an unqualified opinion thereon.

Adoption of ASU 2016-13

As discussed in Note 5 of the consolidated financial statements, the Company changed its method of accounting for credit losses in 2020 due to the adoption of Accounting Standards Update (ASU) No. 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, and the related amendments. See below for discussion of our related critical audit matter.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

	Allowance for credit losses
Description of the Matter	At December 31, 2021, the Company's loan portfolio totaled $34.8 billion and the associated Allowance for credit losses (ACL) was $299.7 million. As more fully described in Notes 1 and 5 to the consolidated financial statements, the ACL represents management's estimate of expected credit losses over the contractual term of the loan. The ACL is measured on a collective or pooled basis when assets share the same risk characteristics or on an individual basis when assets do not share similar risk characteristics. For assets measured on a collective basis, the Company applies modeling methodologies that utilize the Company's historical loss experience to estimate lifetime credit loss rates on each pool, including methodologies estimating the probability of default and loss given default on specific segments. The historical credit loss experience utilized in the ACL models is adjusted for the Company's reasonable and supportable economic forecasts. The modeled results are then adjusted for certain qualitative factors. For assets measured on an individual basis, the Company measures the expected losses primarily based on the estimated collateral value. Auditing management's estimate of the ACL was especially challenging due to the complexity of the Company's ACL models and the significant judgement required in establishing management's reasonable and supportable economic forecasts.
How we Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design, and tested the operating effectiveness of internal controls over the ACL process, including among other things, controls over management's process of assessing and challenging the reasonable and supportable economic forecasts, the development, operation and monitoring of the ACL models, and the completeness and accuracy of key inputs and assumptions used in the ACL models. To test the Company's ACL models, we involved our specialists to test a sample of the ACL models by evaluating model methodology, model performance and testing key modeling assumptions. Additionally, we tested the accuracy of data utilized by the models by agreeing key data fields to source documentation and performed targeted re-calculations for a sample of models. To test the reasonable and supportable economic forecasts, our audit procedures included among others, evaluating the basis of the economic forecast factors utilized by management and testing the completeness and accuracy of data used by management to develop the economic forecasts. In addition, we evaluated the overall ACL and whether the ACL appropriately reflects expected lifetime losses in the loan portfolio as of the consolidated balance sheet date. For example, we compared the overall ACL amount to those established by similar banking institutions with similar loan portfolios.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 1999.
Chicago, Illinois
February 25, 2022

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

	December 31,	
(In thousands, except share data)	**2021**	2020
Assets		
Cash and due from banks	**$ 411,150**	$ 322,415
Federal funds sold and securities purchased under resale agreements	**700,055**	59
Interest-bearing deposits with banks	**5,372,603**	4,802,527
Available-for-sale securities, at fair value	**2,327,793**	3,055,839
Held-to-maturity securities, at amortized cost, net of allowance for credit losses of $78 and $59 at December 31, 2021 and December 31, 2020, respectively ($2.9 billion and $593.8 million fair value at December 31, 2021 and December 31, 2020, respectively)	**2,942,285**	579,138
Trading account securities	**1,061**	671
Equity securities with readily determinable fair value	**90,511**	90,862
Federal Home Loan Bank and Federal Reserve Bank stock	**135,378**	135,588
Brokerage customer receivables	**26,068**	17,436
Mortgage loans held-for-sale, at fair value	**817,912**	1,272,090
Loans, net of unearned income	**34,789,104**	32,079,073
Allowance for loan losses	**(247,835)**	(319,374)
Net loans	**34,541,269**	31,759,699
Premises, software and equipment, net	**766,405**	768,808
Lease investments, net	**242,082**	242,434
Accrued interest receivable and other assets	**1,084,115**	1,351,455
Goodwill	**655,149**	645,707
Other intangible assets	**28,307**	36,040
Total assets	**$ 50,142,143**	$ 45,080,768
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest-bearing	**$ 14,179,980**	$ 11,748,455
Interest-bearing	**27,915,605**	25,344,196
Total deposits	**42,095,585**	37,092,651
Federal Home Loan Bank advances	**1,241,071**	1,228,429
Other borrowings	**494,136**	518,928
Subordinated notes	**436,938**	436,506
Junior subordinated debentures	**253,566**	253,566
Trade date securities payable	**—**	200,907
Accrued interest payable and other liabilities	**1,122,159**	1,233,786
Total liabilities	**45,643,455**	40,964,773
Shareholders' Equity:		
Preferred stock, no par value; 20,000,000 shares authorized:		
Series D - $25 liquidation value; 5,000,000 shares issued and outstanding at December 31, 2021 and December 31, 2020	**125,000**	125,000
Series E - $25,000 liquidation value; 11,500 shares issued and outstanding at December 31, 2021 and December 31, 2020	**287,500**	287,500
Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized at December 31, 2021 and December 31, 2020; 58,891,780 shares issued at December 31, 2021 and 58,473,252 shares issued at December 31, 2020	**58,892**	58,473
Surplus	**1,685,572**	1,649,990
Treasury stock, at cost, 1,837,689 shares at December 31, 2021 and 1,703,627 shares at December 31, 2020	**(109,903)**	(100,363)
Retained earnings	**2,447,535**	2,080,013
Accumulated other comprehensive income	**4,092**	15,382
Total shareholders' equity	**4,498,688**	4,115,995
Total liabilities and shareholders' equity	**$ 50,142,143**	$ 45,080,768

See accompanying Notes to Consolidated Financial Statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
(In thousands, except per share data)	**2021**	2020	2019
Interest income			
Interest and fees on loans	**$ 1,133,528**	$ 1,157,249	$ 1,228,480
Mortgage loans held-for-sale	**32,169**	20,077	11,992
Interest-bearing deposits with banks	**6,606**	8,553	29,803
Federal funds sold and securities purchased under resale agreements	**173**	102	700
Investment securities	**95,286**	99,634	108,046
Trading account securities	**10**	37	39
Federal Home Loan Bank and Federal Reserve Bank stock	**7,067**	6,891	5,416
Brokerage customer receivables	**645**	477	666
Total interest income	**1,275,484**	1,293,020	1,385,142
Interest expense			
Interest on deposits	**88,119**	189,178	278,892
Interest on Federal Home Loan Bank advances	**19,581**	18,193	9,878
Interest on other borrowings	**9,928**	12,773	13,897
Interest on subordinated notes	**21,983**	21,961	15,555
Interest on junior subordinated debentures	**10,916**	11,008	12,001
Total interest expense	**150,527**	253,113	330,223
Net interest income	**1,124,957**	1,039,907	1,054,919
Provision for credit losses	**(59,263)**	214,220	53,864
Net interest income after provision for credit losses	**1,184,220**	825,687	1,001,055
Non-interest income			
Wealth management	**124,019**	100,336	97,114
Mortgage banking	**273,010**	346,013	154,293
Service charges on deposit accounts	**54,168**	45,023	39,070
(Losses) gains on investment securities, net	**(1,059)**	(1,926)	3,525
Fees from covered call options	**3,673**	2,292	3,670
Trading gains (losses), net	**245**	(1,004)	(158)
Operating lease income, net	**53,691**	47,604	47,041
Other	**78,373**	65,851	62,617
Total non-interest income	**586,120**	604,189	407,172
Non-interest expense			
Salaries and employee benefits	**691,669**	626,076	546,420
Software and equipment	**87,515**	68,496	52,328
Operating lease equipment depreciation	**40,880**	37,915	35,760
Occupancy, net	**74,184**	69,957	64,289
Data processing	**27,279**	30,196	27,820
Advertising and marketing	**47,275**	36,296	48,595
Professional fees	**29,494**	27,426	27,471
Amortization of other acquisition-related intangible assets	**7,734**	11,018	11,844
FDIC insurance	**27,030**	25,004	9,199
OREO expense, net	**(1,654)**	(921)	3,628
Other	**101,138**	108,632	100,772
Total non-interest expense	**1,132,544**	1,040,095	928,126
Income before taxes	**637,796**	389,781	480,101
Income tax expense	**171,645**	96,791	124,404
Net income	**$ 466,151**	$ 292,990	$ 355,697
Preferred stock dividends	**27,964**	21,377	8,200
Net income applicable to common shares	**$ 438,187**	$ 271,613	$ 347,497
Net income per common share—Basic	**$ 7.69**	$ 4.72	$ 6.11
Net income per common share—Diluted	**$ 7.58**	$ 4.68	$ 6.03
Cash dividends declared per common share	**$ 1.24**	$ 1.12	$ 1.00
Weighted average common shares outstanding	**56,994**	57,523	56,857
Dilutive potential common shares	**792**	496	762
Average common shares and dilutive common shares	**57,786**	58,019	57,619

See accompanying Notes to Consolidated Financial Statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
(In thousands)	**2021**	2020	2019
Net income	**$ 466,151**	$ 292,990	$ 355,697
Unrealized (losses) gains on available-for-sale securities			
Before tax	**(83,199)**	76,464	79,702
Tax effect	**22,152**	(20,378)	(21,361)
Net of tax	**(61,047)**	56,086	58,341
Reclassification of net gains on available-for-sale securities included in net income			
Before tax	**1,079**	221	899
Tax effect	**(290)**	(59)	(241)
Net of tax	**789**	162	658
Reclassification of amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale			
Before tax	**241**	231	479
Tax effect	**(64)**	(62)	(131)
Net of tax	**177**	169	348
Net unrealized (losses) gains on available-for-sale securities	**(62,013)**	55,755	57,335
Unrealized gains (losses) on derivative instruments			
Before tax	**68,441**	(13,591)	(28,685)
Tax effect	**(18,240)**	3,642	7,687
Net unrealized gains (losses) on derivative instruments	**50,201**	(9,949)	(20,998)
Foreign currency translation adjustment			
Before tax	**620**	5,367	7,483
Tax effect	**(98)**	(1,113)	(1,626)
Net foreign currency translation adjustment	**522**	4,254	5,857
Total other comprehensive (loss) income	**(11,290)**	50,060	42,194
Comprehensive income	**$ 454,861**	$ 343,050	$ 397,891

See accompanying Notes to Consolidated Financial Statements.

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

(In thousands, except per share data)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2018	$ 125,000	$ 56,518	$ 1,557,984	$ (5,634)	$ 1,610,574	$ (76,872)	$ 3,267,570
Cumulative effect adjustment from the adoption of ASU 2017-08	—	—	—	—	(1,531)	—	(1,531)
Net income	—	—	—	—	355,697	—	355,697
Other comprehensive income, net of tax	—	—	—	—	—	42,194	42,194
Cash dividends declared on common stock, $1.00 per share	—	—	—	—	(56,910)	—	(56,910)
Dividends on preferred stock, $1.64 per share	—	—	—	—	(8,200)	—	(8,200)
Stock-based compensation	—	—	11,304	—	—	—	11,304
Common stock issued for:							
Acquisitions		1,074	70,682				71,756
Exercise of stock options and warrants	—	146	5,541	(844)	—	—	4,843
Restricted stock awards	—	150	(150)	(453)	—	—	(453)
Employee stock purchase plan	—	44	2,775	—	—	—	2,819
Director compensation plan	—	19	2,142	—	—	—	2,161
Balance at December 31, 2019	$ 125,000	$ 57,951	$ 1,650,278	$ (6,931)	$ 1,899,630	$ (34,678)	$ 3,691,250
Cumulative effect adjustment from the adoption of ASU 2016-13, net of tax	—	—	—	—	(26,717)	—	(26,717)
Net income	—	—	—	—	292,990	—	292,990
Other comprehensive income, net of tax	—	—	—	—	—	50,060	50,060
Cash dividends declared on common stock, $1.12 per share	—	—	—	—	(64,513)	—	(64,513)
Dividends on Series D preferred stock, $1.64 per share and Series E preferred stock, $1,145.84 per share	—	—	—	—	(21,377)	—	(21,377)
Common stock repurchased under authorized program	—	—	—	(92,055)	—	—	(92,055)
Stock-based compensation	—	—	(4,938)	—	—	—	(4,938)
Issuance of Series E preferred stock	287,500	—	(9,887)	—	—	—	277,613
Common stock issued for:							
Exercise of stock options and warrants	—	229	9,434	(625)	—	—	9,038
Restricted stock awards	—	201	(201)	(752)	—	—	(752)
Employee stock purchase plan	—	72	2,906	—	—	—	2,978
Director compensation plan	—	20	2,398	—	—	—	2,418
Balance at December 31, 2020	$ 412,500	$ 58,473	$ 1,649,990	$ (100,363)	$ 2,080,013	$ 15,382	$ 4,115,995
Net income	**—**	**—**	**—**	**—**	**466,151**	**—**	**466,151**
Other comprehensive loss, net of tax	**—**	**—**	**—**	**—**	**—**	**(11,290)**	**(11,290)**
Cash dividends declared on common stock, $1.24 per share	**—**	**—**	**—**	**—**	**(70,663)**	**—**	**(70,663)**
Dividends on Series D preferred stock, $1.64 per share and Series E preferred stock, $1,718.76 per share	**—**	**—**	**—**	**—**	**(27,966)**	**—**	**(27,966)**
Common stock repurchased under authorized program	**—**	—	**—**	**(9,540)**	**—**	—	**(9,540)**
Stock-based compensation	**—**	**—**	**16,177**	**—**	**—**	**—**	**16,177**
Common stock issued for:							
Exercise of stock options and warrants	**—**	**327**	**13,708**	**—**	**—**	**—**	**14,035**
Restricted stock awards	**—**	**20**	**(20)**	**—**	**—**	**—**	**—**
Employee stock purchase plan	**—**	**48**	**3,277**	**—**	**—**	**—**	**3,325**
Director compensation plan	**—**	**24**	**2,440**	**—**	**—**	**—**	**2,464**
Balance at December 31, 2021	**$ 412,500**	**$ 58,892**	**$ 1,685,572**	**$ (109,903)**	**$ 2,447,535**	**$ 4,092**	**$ 4,498,688**

See accompanying Notes to Consolidated Financial Statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31, 2021	2020	2019
Operating Activities:			
Net income	**$ 466,151**	$ 292,990	$ 355,697
Adjustments to reconcile net income to net cash provided by (used for) operating activities			
Provision for credit losses	**(59,263)**	214,220	53,864
Depreciation, amortization and accretion, net	**101,797**	96,369	88,362
Deferred income tax (benefit) expense	**(2,861)**	(4,058)	44,557
Stock-based compensation expense (benefit)	**16,177**	(4,938)	11,304
Amortization of premium on securities, net	**6,391**	10,881	6,605
Accretion of discount and deferred fees on loans, net	**(83,434)**	(81,604)	(26,624)
Mortgage servicing rights fair value changes, net	**16,515**	63,343	34,896
Non-designated derivatives fair value changes, net	**(569)**	(484)	640
Originations and purchases of mortgage loans held-for-sale	**(6,803,777)**	(8,004,730)	(4,497,921)
Early buy-out exercises of mortgage loans held-for-sale guaranteed by U.S. Government Agencies, net of subsequent paydowns or payoffs	**88**	(297,599)	—
Proceeds from sales of mortgage loans held-for-sale	**7,441,705**	7,624,799	4,484,838
Bank owned life insurance (“BOLI”) income	**(5,812)**	(4,488)	(4,846)
(Increase) decrease in trading securities, net	**(390)**	397	624
Increase in brokerage customer receivables, net	**(8,632)**	(863)	(3,964)
Gains on mortgage loans sold	**(214,085)**	(339,127)	(135,607)
Losses (gains) on investment securities, net, and dividend reinvestment on equity securities	**1,059**	2,373	(3,525)
(Gains) losses on sales of premises and equipment, net, and sale of related deposit liabilities	**(3,614)**	421	92
(Gains) losses on sales and fair value adjustments of other real estate owned, net	**(2,792)**	(1,421)	1,921
Decrease (increase) in accrued interest receivable and other assets, net	**187,743**	(131,870)	(133,022)
Increase (decrease) in accrued interest payable and other liabilities, net	**78,475**	46,924	(11,898)
Net Cash Provided by (Used for) Operating Activities	**1,130,872**	(518,465)	265,993
Investing Activities:			
Proceeds from maturities and calls of available-for-sale securities	**1,290,126**	1,613,143	718,345
Proceeds from maturities and calls of held-to-maturity securities	**307,971**	879,713	422,959
Proceeds from sales of available-for-sale securities	**192,227**	502,250	972,253
Proceeds from sales of equity securities with readily determinable fair value	**9,759**	6,530	19,200
Proceeds from sales and capital distributions of equity securities without readily determinable fair value	**2,685**	1,857	1,764
Purchases of available-for-sale securities	**(842,170)**	(1,998,380)	(2,226,834)
Purchases of held-to-maturity securities	**(2,873,691)**	(125,220)	(493,389)
Purchases of equity securities with readily determinable fair value	**(9,060)**	(45,735)	(32,729)
Purchases of equity securities without readily determinable fair value	**(9,265)**	(5,118)	(4,394)
Redemption (purchase) of FHLB and FRB stock, net	**210**	(34,849)	(9,385)
(Contributions to) distributions from investments in partnerships, net	**(2,107)**	76	1,955
Net cash paid in business combinations	**(585,402)**	—	(108,365)
Proceeds from sale of other real estate owned	**16,927**	10,776	14,516
Increase in securities purchased under resale agreements with terms exceeding three months, net	**(700,000)**	—	—
Increase in interest-bearing deposits with banks, net	**(569,205)**	(2,636,581)	(983,513)
Increase in loans, net	**(2,101,121)**	(5,290,668)	(2,229,637)
Redemption of BOLI	**332**	3,428	326
Purchases of premises and equipment, net	**(57,075)**	(63,646)	(82,021)
Net Cash Used for Investing Activities	**(5,928,859)**	(7,182,424)	(4,018,949)
Financing Activities:			
Increase in deposit accounts, net	**5,006,801**	6,985,964	3,142,499
(Decrease) increase in other borrowings, net	**(27,784)**	88,596	15,480
Increase in Federal Home Loan Bank advances, net	**12,629**	553,500	248,442
Cash payments to settle contingent consideration liabilities recognized in business combinations	**(16,583)**	(4,523)	(66)
Proceeds from the issuance of preferred stock, net	**—**	277,613	—
Proceeds from the issuance of subordinated notes, net	**—**	—	296,617
Issuance of common shares resulting from exercise of stock options and employee stock purchase plan	**19,824**	15,059	10,667
Common stock repurchases under authorized program	**(9,540)**	(92,055)	—
Common stock repurchases for tax withholdings related to stock-based compensation	**—**	(1,377)	(1,297)
Dividends paid	**(98,629)**	(85,890)	(65,110)
Net Cash Provided by Financing Activities	**4,886,718**	7,736,887	3,647,232
Net Increase (Decrease) in Cash and Cash Equivalents	**88,731**	35,998	(105,724)
Cash and Cash Equivalents at Beginning of Period	**322,474**	286,476	392,200
Cash and Cash Equivalents at End of Period	**$ 411,205**	$ 322,474	$ 286,476
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	**$ 156,868**	$ 257,408	$ 327,329
Income taxes, net	**178,575**	105,268	60,845
Business combinations:			
Fair value of assets acquired, including cash and cash equivalents	**591,409**	—	1,093,254
Value ascribed to goodwill and other intangible assets	**9,275**	—	80,581
Fair value of liabilities assumed	**6,007**	—	896,686
Non-cash activities			
Transfer to other real estate owned from loans	**5,837**	13,239	5,722
Common stock issued for acquisitions	**—**	—	71,756

See accompanying Notes to Consolidated Financial Statements.

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Wintrust Financial Corporation (“Wintrust” or the “Company”) and its subsidiaries conform to generally accepted accounting principles in the United States and prevailing practices of the banking industry. In the preparation of the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts contained in the consolidated financial statements. Management believes that the estimates made are reasonable; however, changes in estimates may be required if economic or other conditions change beyond management’s expectations. Reclassifications of certain prior year amounts have been made to conform to the current year presentation. The following is a summary of the Company’s significant accounting policies.

Principles of Consolidation

The consolidated financial statements of Wintrust include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Earnings per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then share in the earnings of the Company. The weighted-average number of common shares outstanding is increased by the assumed conversion of any outstanding convertible preferred stock shares from the beginning of the year or date of issuance, if later, and the number of common shares that would be issued assuming the exercise of stock options, the issuance of restricted shares and stock warrants using the treasury stock method. The adjustments to the weighted-average common shares outstanding are only made when such adjustments will dilute earnings per common share. If relevant convertible preferred shares are outstanding during a period, net income applicable to common shares used in the diluted earnings per share calculation may be adjusted to consider potential conversion of such preferred shares. 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.

Business Combinations

The Company accounts for business combinations under the acquisition method of accounting in accordance with ASC 805, “Business Combinations” (“ASC 805”) when it obtains control of a business. When determining whether a business has been acquired, the Company first evaluates whether substantially all of the fair value of the gross assets acquired are concentrated in a single identifiable asset or a group of similar identifiable assets. If concentrated in such a manner, the set of assets and activities is not a business. If not concentrated in such a manner, the Company assesses whether the set meets the definition of a business by containing inputs, outputs and at least one substantive process. If the set represents a business, the Company recognizes the fair value of the assets acquired and liabilities assumed, immediately expenses transaction costs and accounts for restructuring plans separately from the business combination. The excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired is recorded as goodwill. Alternatively, a gain is recorded equal to the amount by which the fair value of assets purchased exceeds the fair value of liabilities assumed and consideration paid.

If the set of assets and activities do not constitute a business, the transaction is accounted for as an asset acquisition. The cost of a group of assets acquired is allocated to the individual assets acquired or liabilities assumed based on the relative fair value and does not result in the recognition of goodwill. Generally, any excess of the cost of the transaction over the fair value of the individual assets acquired or liabilities assumed, or, in contrast, any excess of the fair value of the individual assets acquired or liabilities assumed over the cost of the transaction, should be allocated on a relative fair value basis. Certain "non-qualifying" assets are excluded from this allocation, and are recognized at the individual asset's fair value.

Results of operations of the acquired business are included in the income statement from the effective date of acquisition. Subsequent adjustments to provisional amounts that are identified in reporting periods within one year after the acquisition date in a business combination are recognized in the reporting period in which the adjustment amounts are determined.

Cash Equivalents

For purposes of the consolidated statements of cash flows, Wintrust considers 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, to be cash equivalents. At December 31, 2021, federal funds sold and securities purchased under resale agreements on the Company's Consolidated Statements of Condition included approximately $700.0 million of securities sold under agreements to repurchase with original maturities exceeding three months. As a result, such balance was not considered a cash equivalent for purposes of the Company's Consolidated Statements of Cash Flows for the respective period.

Investment Securities

The Company classifies debt and equity securities upon purchase in one of five categories: trading, held-to-maturity debt securities, available-for-sale debt securities, equity securities with a readily determinable fair value or equity securities without a readily determinable fair value. Debt and equity securities held for resale are classified as trading securities. Debt securities for which the Company has the ability and positive intent to hold until maturity are classified as held-to-maturity. All other debt securities are classified as available-for-sale as they may be sold prior to maturity in response to changes in the Company's interest rate risk profile, funding needs, demand for collateralized deposits by public entities or other reasons. Equity securities are classified based upon whether a readily determinable fair value exists on such security. The fair value of an equity security is readily determinable if it meets certain conditions, including whether sales prices or bid-ask quotes are currently available on certain securities exchanges; traded only in a foreign market that is of a breadth and scope comparable to one of the U.S. markets; or the security is an investment in a mutual fund or similar structure with a fair value per share or unit that is determined and published, and is the basis for current transactions.

Held-to-maturity debt securities are stated at amortized cost, which represents actual cost adjusted for premium amortization and discount accretion using methods that approximate the effective interest method. Available-for-sale debt securities are stated at fair value, with unrealized gains and losses, net of related taxes, included in shareholders' equity as a separate component of other comprehensive income. Trading account securities and equity securities with a readily determinable fair value are stated at fair value. Realized and unrealized gains and losses from sales and fair value adjustments are included in other non-interest income. Equity securities without a readily determinable fair value are stated at either a calculated net asset value per share, if available, or the cost of the security minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar instrument of the same issuer.

Subsequent to classification at the time of purchase, the Company may transfer debt securities between trading, held-to-maturity, or available-for-sale. For debt securities transferred to trading, the current unrealized gain or loss at the date of transfer, net of related taxes, is immediately recognized in earnings. Debt securities transferred from trading to either held-to-maturity or available-for-sale have already recognized any unrealized gain or loss into earnings and this amount is not reversed. Unrealized gains or losses, net related taxes, for available-for-sale debt securities transferred to held-to-maturity remain as a separate component of other comprehensive income and an offsetting discount is included in the amortized cost of the held-to-maturity debt security. These amounts are amortized over the remaining life of the debt security in equal and offsetting amounts. Unrealized gains or losses for held-to-maturity debt securities transferred to available-for-sale are recognized at the transfer date as a separate component of other comprehensive income, net of related taxes.

Declines in the fair value of held-to-maturity and available-for-sale debt investment securities (with certain exceptions for debt securities noted below) that are deemed to be credit losses are charged to the allowance for credit losses. In evaluating credit impairment, management considers the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value in the near term. Declines in the fair value of debt securities below amortized cost are deemed to be credit losses in circumstances where: (1) the Company has the intent to sell a security; (2) it is more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost basis; or (3) the Company does not expect to recover the entire amortized cost basis of the debt security. If the Company intends to sell a debt security or if it is more likely than not that the Company will be required to sell the debt security before recovery, a credit impairment write-down is recognized in the allowance for credit losses equal to the difference between the debt security's amortized cost basis and its fair value. If an entity does not intend to sell the debt security or it is not more likely than not that it will be required to sell the debt security before recovery, the credit impairment write-down is separated into an amount representing credit loss, which is recognized in the allowance for credit losses, and an amount related to all other factors, which is recognized in other comprehensive income.

Equity securities with readily determinable fair values are measured at fair value with changes recognized in net income. Equity securities without readily determinable fair values are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. Such investments are included within accrued interest receivable and other assets within the Company's Consolidated Statements of Condition.

Interest and dividends, including amortization of premiums and accretion of discounts, are recognized as interest income when earned. Realized gains and losses on sales (using the specific identification method), unrealized gains and losses on equity securities and declines in value judged to be other-than-temporary are included in non-interest income.

FHLB and FRB Stock

Investments in FHLB and FRB stock are restricted as to redemption and are carried at cost.

Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest. Securities, consisting of U.S. Treasury, U.S. Government agency and mortgage-backed securities, pledged as collateral under these financing arrangements cannot be sold by the secured party. The fair value of collateral either received from or provided to a third party is monitored and additional collateral is obtained or requested to be returned as deemed appropriate.

Brokerage Customer Receivables

The Company, under an agreement with an out-sourced securities clearing firm, extends credit to its brokerage customers to finance their purchases of securities on margin. The Company receives income from interest charged on such extensions of credit. Brokerage customer receivables represent amounts due on margin balances. Securities owned by customers are held as collateral for these receivables.

Mortgage Loans Held-for-Sale

Mortgage loans are classified as held-for-sale when originated or acquired with the intent to sell the loan into the secondary market. ASC 825, “Financial Instruments” provides entities with an option to report selected financial assets and liabilities at fair value. Mortgage loans classified as held-for-sale are measured at fair value which is typically determined by reference to investor prices for loan products with similar characteristics. Changes in fair value are recognized in mortgage banking revenue.

Market conditions or other developments may change management’s intent with respect to the disposition of these loans and loans previously classified as mortgage loans held-for-sale may be reclassified to the loans held-for-investment portfolio, with the balance transferred continuing to be carried at fair value.

Loans and Leases

Loans are generally reported at the principal amount outstanding, net of unearned income. Interest income is recognized when earned. Loan origination fees and certain direct origination costs are deferred and amortized over the expected life of the loan as an adjustment to the yield using methods that approximate the effective interest method. Finance charges on premium finance receivables are earned over the term of the loan, using a method which approximates the effective yield method.

Leases classified as direct financing leases are included within lease loans for financial statement purposes. Direct financing leases are stated as the sum of remaining minimum lease payments from lessees plus estimated residual values less unearned lease income. Unearned lease income on direct financing leases is recognized over the term of the leases using the effective interest method.

Interest income is not accrued on loans where management has determined that the borrowers may be unable to meet contractual principal or interest obligations, or where interest or principal is 90 days or more past due, unless the loans are adequately secured and in the process of collection. Cash receipts on non-accrual loans are generally applied to the principal balance until the remaining balance is considered collectible, at which time interest income may be recognized when received.

Allowance for Credit Losses

In accordance with ASC 326, “Financial Instruments – Credit Losses” (“ASC 326”), the Company measures the allowance for credit losses at the time of origination or purchase of a financial asset, representing an estimate of lifetime expected credit losses on the related asset. Financial assets include assets measured under the amortized cost basis, including loans, net investments in leases recognized by a lessor, held-to-maturity debt securities and purchased credit deteriorated (“PCD”) assets at the time of and subsequent to acquisition, and off-balance-sheet credit exposures considered not unconditionally cancellable. In addition to financial assets measured at amortized cost, credit losses related to available-for-sale debt securities are recorded through the allowance for credit losses and not as a direct adjustment to the amortized cost of the securities. The Company elects the collateral maintenance practical expedient under ASC 326 and applies this approach to securities sold under agreements to repurchase and brokerage customer receivables. In accordance with contractual terms, these assets require underlying collateral to be monitored continuously and replenished when collateral is less than required levels. The Company measures an allowance for credit losses if the carrying balance of such assets exceeds the amount of underlying collateral.

The allowance for credit losses on financial assets held at amortized cost is measured on a collective or pooled basis when similar risk characteristics exist. The Company utilizes modeling methodologies that estimate lifetime credit loss rates on each pool, including methodologies estimating the probability of default and loss given default on specific segments. Credit quality indicators, specifically the Company's internal risk rating systems, reflect how the Company monitors credit losses and represent factors used by the Company when measuring the allowance for credit losses. Historical credit loss history is adjusted for reasonable and supportable forecasts developed by the Company and incorporates third party economic forecasts on a quantitative or qualitative basis. Reasonable and supportable forecasts consider the macroeconomic factors that are most relevant to evaluating and predicting expected credit losses in the Company's financial assets. For periods beyond the ability to develop reasonable and supportable forecasts, the Company reverts to historical loss rates. Qualitative factors assessed by Management include the following:

- Changes in the nature and volume of the institution’s financial assets;
- Changes in the existence, growth, and effect of any concentrations of credit;
- Changes in the volume and severity of past due financial assets, the volume of non-accrual assets, and the volume and severity of adversely classified or graded assets;
- Changes in the value of the underlying collateral for loans that are not collateral-dependent;
- Changes in the institution’s lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries;
- Changes in the quality of the institution’s credit review function;
- Changes in the experience, ability, and depth of the institution’s lending, investment, collection, and other relevant management and staff;
- The effect of changes in other external factors such as the regulatory, legal and technological environments; competition; and events such as natural disasters; and
- Actual and expected changes in international, national, regional, and local economic and business conditions and developments in which the institution operates that affect the collectability of financial assets.

Expected credit losses are measured over the contractual term of the financial asset with consideration of expected prepayments. Expected extensions, renewals or modifications of the financial asset are considered when either 1) the expected extension, renewal or modification is contained within the existing agreement and is not unconditionally cancellable, or 2) the expected extension, renewal or modification is reasonably expected to result in a troubled debt restructuring (“TDR”).

Financial assets that do not share similar risk characteristics with any pool are assessed for the allowance for credit losses on an individual basis. These typically include assets experiencing financial difficulties, including substandard non-accrual assets and assets currently classified or expected to be classified as TDRs. If an individual asset is removed from a pool, the allowance for credit losses for such pool will be measured without considering the removed asset. If foreclosure is probable or the asset is considered collateral-dependent, expected credit losses are measured based upon the fair value of the underlying collateral adjusted for selling costs, if appropriate. For certain accruing current and expected TDRs, expected credit losses are measured based upon the present value of future cash flows of the modified asset terms compared to the amortized cost of the asset.

For purchased financial assets that have experienced more-than-insignificant deterioration in credit quality since origination (“PCD assets”), the Company recognizes the sum of the purchase price and estimate of the allowance for credit losses as of the date of acquisition as the initial amortized cost basis. If the estimated allowance for credit losses is recognized under a methodology that is not a discounted cash flow methodology, such allowance for credit losses will be estimated based upon the unpaid principal balance of the financial asset.

The Company does not measure an allowance for credit losses on accrued interest receivable balances if these balances are written off in a timely manner. Write-offs of accrued interest receivable balances are recorded as a reduction to interest income.

Recoveries of financial assets previously written off are recognized when received and recorded as a component of the allowance for credit losses. When measuring the allowance for credit losses, the Company incorporates an estimate of expected recoveries provided the estimate is reasonable and supportable. Write-offs of financial assets are charged-off or deducted from the allowance for credit losses and recorded in the period when the Company concludes that all or a portion of a financial asset is no longer collectible. A provision for credit losses is charged to income based on Management's periodic evaluation of the factors previously described. Evaluations are conducted at least quarterly and more frequently if deemed necessary.

Mortgage Servicing Rights ("MSRs")

MSRs are recorded in the Consolidated Statements of Condition at fair value in accordance with ASC 860, "Transfers and Servicing." The Company originates mortgage loans for sale to the secondary market. Certain loans are originated and sold with servicing rights retained. MSRs associated with loans originated and sold, where servicing is retained, are capitalized at the time of sale at fair value based on the future net cash flows expected to be realized for performing the servicing activities, and included in other assets in the Consolidated Statements of Condition. The change in the fair value of MSRs is recorded as a component of mortgage banking revenue in non-interest income in the Consolidated Statements of Income. The Company measures the fair value of MSRs by stratifying the servicing rights into pools based on homogeneous characteristics, such as 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. Estimates of fair value include assumptions about prepayment speeds, interest rates and other factors which are subject to change over time. Changes in these underlying assumptions could cause the fair value of MSRs to change significantly in the future.

Lease Investments

The Company's investments in equipment and other assets held on operating leases are reported as lease investments, net. Rental income on operating leases is recognized as income over the lease term on a straight-line basis. Equipment and other assets held on operating leases is stated at cost less accumulated depreciation. Depreciation of the cost of the assets held on operating leases, less any residual value, is computed using the straight-line method over the term of the leases, which is generally seven years or less.

Premises and Equipment

Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Useful lives generally range from two to 15 years for furniture, fixtures and equipment, two to seven years for software and computer-related equipment and seven to 39 years for buildings and improvements. Land improvements are amortized over a period of 15 years and leasehold improvements are amortized over the shorter of the useful life of the improvement or the term of the respective lease including any lease renewals deemed to be reasonably assured. Land, antique furnishings and artwork are not subject to depreciation. Expenditures for major additions and improvements are capitalized, and maintenance and repairs are charged to expense as incurred. Eligible costs related to the configuration, coding, testing and installation of internal use software and qualifying cloud computing arrangements are capitalized.

Long-lived depreciable assets are evaluated periodically for impairment when events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment exists when the expected undiscounted future cash flows of a long-lived asset are less than its carrying value. In that event, a loss is recognized for the difference between the carrying value and the estimated fair value of the asset based on a quoted market price, if applicable, or a discounted cash flow analysis. Impairment losses are recognized in other non-interest expense.

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 in the Consolidated Statements of Condition. Other real estate owned is recorded at its estimated fair value less estimated selling costs at the date of transfer. Any excess of the related loan balance over the fair value less expected selling costs is charged to the allowance for credit losses. In contrast, any excess of the fair value less expected selling costs over the related loan balance is recorded as a recovery of prior charge-offs on the loan and, if any portion of the excess exceeds prior charge-offs, as an increase to earnings. 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. At December 31, 2021 and 2020, other real estate owned totaled $4.3 million and $16.6 million, respectively.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. In accordance with accounting standards, goodwill is not amortized, but rather is tested for impairment on an annual basis or more frequently when events warrant, using a qualitative or quantitative approach. Intangible assets which have finite lives are amortized over their estimated useful lives and also are subject to impairment testing. Intangible assets which have indefinite lives are evaluated each reporting date to determine whether events and circumstances continue to support an indefinite useful life. If an indefinite useful life can no longer be supported for such asset, the intangible asset will be amortized prospectively over the remaining estimated useful life. If an indefinite useful life can be supported, the asset is not amortized, but rather is tested for impairment on an annual basis or more frequently when events warrant, using a qualitative or quantitative approach. The Company’s intangible assets having finite lives are amortized over varying periods not exceeding twenty years.

Bank-Owned Life Insurance ("BOLI")

The Company maintains BOLI on certain executives. BOLI balances are recorded at their cash surrender values and are included in other assets in the Consolidated Statements of Condition. Changes in the cash surrender values are included in non-interest income. At December 31, 2021 and 2020, BOLI totaled $157.7 million and $154.6 million, respectively.

Derivative Instruments

The Company enters into derivative transactions principally to protect against the risk of adverse price or interest rate movements on the future cash flows or the value of certain assets and liabilities. The Company is also required to recognize certain contracts and commitments, including certain commitments to fund mortgage loans held-for-sale, as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. The Company accounts for derivatives in accordance with ASC 815, “Derivatives and Hedging,” which requires that all derivative instruments be recorded in the Consolidated Statements of Condition at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset or liability attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Formal documentation of the relationship between a derivative instrument and a hedged asset or liability, as well as the risk-management objective and strategy for undertaking each hedge transaction and an assessment of effectiveness, is required at inception to apply hedge accounting. In addition, formal documentation of ongoing effectiveness testing is required to maintain hedge accounting.

Fair value hedges are accounted for by recording the changes in the fair value of the derivative instrument and the changes in the fair value related to the risk being hedged of the hedged asset or liability on the statement of condition with corresponding offsets recorded in the income statement. The adjustment to the hedged asset or liability is included in the basis of the hedged item, while the fair value of the derivative is recorded as a freestanding asset or liability. Actual cash receipts or payments and related amounts accrued during the period on derivatives included in a fair value hedge relationship are recorded as adjustments to the interest income or expense recorded on the hedged asset or liability.

Cash flow hedges are accounted for by recording the changes in the fair value of the derivative instrument on the statement of condition as either a freestanding asset or liability, with a corresponding offset recorded in other comprehensive income within shareholders’ equity, net of deferred taxes. Amounts are reclassified from accumulated other comprehensive income to interest expense in the period or periods the hedged forecasted transaction affects earnings.

Under both the fair value and cash flow hedge scenarios, changes in the fair value of derivatives not considered to be highly effective in hedging the change in fair value or the expected cash flows of the hedged item are recognized in earnings as non-interest income during the period of the change.

Derivative instruments that are not designated as hedges according to accounting guidance are reported on the statement of condition at fair value and the changes in fair value are recognized in earnings as non-interest income during the period of the change.

Commitments to fund mortgage loans (i.e. interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as derivatives and are not designated in hedging relationships. Fair values of these mortgage derivatives are estimated primarily based on changes in mortgage rates from the date of the commitments. Changes in the fair values of these derivatives are included in mortgage banking revenue.

Forward currency contracts used to manage foreign exchange risk associated with certain assets are accounted for as derivatives and are not designated in hedging relationships. Foreign currency derivatives are recorded at fair value based on prevailing currency exchange rates at the measurement date. Changes in the fair values of these derivatives resulting from fluctuations in currency rates are recognized in earnings as non-interest income during the period of change.

Periodically, the Company sells options to an unrelated bank or dealer for the right to purchase certain securities held within its investment portfolios ("covered call options"). These option transactions are designed primarily as an economic hedge to compensate for net interest margin compression by increasing the total return associated with holding the related securities as earning assets by using fee income generated from these options. These transactions are not designated in hedging relationships pursuant to accounting guidance and, accordingly, changes in fair values of these contracts, are reported in other non-interest income.

The Company periodically purchases options for the right to purchase securities not currently held within its investment portfolios or enters into interest rate swaps in which the Company elects to not designate such derivatives as hedging instruments. These option and swap transactions are designed primarily to economically hedge a portion of the fair value adjustments related to the Company's mortgage servicing rights portfolio. The gain or loss associated with these derivative contracts are included in mortgage banking revenue.

Trust Assets, Assets Under Management and Brokerage Assets

Assets held in fiduciary or agency capacity for customers are not included in the consolidated financial statements as they are not assets of Wintrust or its subsidiaries. Fee income is recognized on an accrual basis and is included as a component of non-interest income.

Income Taxes

Wintrust and its subsidiaries file a consolidated Federal income tax return. Income tax expense is based upon income in the consolidated financial statements rather than amounts reported on the income tax return. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as an income tax benefit or income tax expense in the period that includes the enactment date.

Positions taken in the Company's tax returns may be subject to challenge by the taxing authorities upon examination. In accordance with applicable accounting guidance, uncertain tax positions are initially recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. Such tax positions are both initially and subsequently measured as the largest amount of tax benefit that is greater than 50% likely of being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. Interest and penalties on income tax uncertainties are classified within income tax expense in the income statement.

Stock-Based Compensation Plans

In accordance with ASC 718, "Compensation — Stock Compensation," compensation cost is measured as the fair value of the awards on their date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options and the market price of the Company's stock at the date of grant is used to estimate the fair value of restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the requisite service period for the entire award.

Accounting guidance permits for the recognition of stock based compensation for the number of awards that are ultimately expected to vest. As a result, recognized compensation expense for stock options and restricted share awards is reduced for estimated forfeitures prior to vesting. Forfeitures rates are estimated for each type of award based on historical forfeiture experience. Estimated forfeitures will be reassessed in subsequent periods and may change based on new facts and circumstances. The Company issues new shares to satisfy option exercises and vesting of restricted shares.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale debt securities, net of deferred taxes, changes in deferred gains and losses on investment securities transferred from available-for-sale debt securities to held-to-maturity debt securities, net of deferred taxes, adjustments related to cash flow hedges, net of deferred taxes, and foreign currency translation adjustments, net of deferred taxes. The Company has a policy for releasing the income tax effects from accumulated other comprehensive income using an individual security approach.

Stock Repurchases

The Company periodically repurchases shares of its outstanding common stock through open market purchases or other methods. Repurchased shares are recorded as treasury shares on the trade date using the treasury stock method, and the cash paid is recorded as treasury stock.

Foreign Currency Translation

The Company revalues assets, liabilities, revenue and expense denominated in non-U.S. currencies into U.S. dollars at the end of each month using applicable exchange rates.
Gains and losses relating to translating functional currency financial statements for U.S. reporting are included in other comprehensive income. Gains and losses relating to the re-measurement of transactions to the functional currency are reported in the Consolidated Statements of Income.

Going Concern

In connection with preparing financial statements for each reporting period, the Company evaluates whether conditions or events, considered in the aggregate, exist that would raise substantial doubt about the Company's ability to continue as a going concern within one year after the date the financial statements are issued. If substantial doubt exists, specific disclosures are required to be included in the Company's financial statements issued. Through its evaluation, the Company did not identify any conditions or events that would raise substantial doubt about the Company's ability to continue as a going concern within one year of the issuance of these consolidated financial statements.

<u>Accounting Pronouncements Newly Adopted</u>

Income Taxes

In December 2019, the FASB issued ASU No. 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes," to simplify the accounting for income taxes by removing certain exceptions to the general principles of ASC 740, "Income Taxes". The guidance also improved consistent application by clarifying and amending existing guidance from ASC 740. The Company adopted ASU No. 2019-12 as of January 1, 2021. Adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Investment Securities

In January 2020, the FASB issued ASU No. 2020-01, “Clarifying the Interactions Between Investments-Equity Securities (ASC Topic 321), Investments-Equity Method and Joint Ventures (ASC Topic 323), and Derivatives and Hedging (ASC Topic 815),” which amended ASC 323, Investments-Equity Method & Joint Ventures to clarify that an entity should consider observable transactions that require it to either apply or discontinue using the equity method of accounting for purposes of applying the measurement alternative in accordance with ASC 321, Investments-Equity Securities, immediately before applying or discontinuing the equity method under ASC 323.

The guidance also amended ASC 815, Derivatives & Hedging, to clarify that, when determining the accounting for certain nonderivative forward contracts and purchased options, an entity should not consider how to account for the resulting investments upon eventual settlement or exercise, and that an entity should evaluate the remaining characteristics in accordance with ASC 815 to determine the accounting for those forward contracts and purchased options.

The Company adopted ASU No. 2020-01 as of January 1, 2021 under a prospective approach. Adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Legislation and Regulations Issued as a Result of the COVID-19 Pandemic

On March 27, 2020, the former President of the United States signed the CARES Act, which provides entities with optional temporary relief from certain accounting and financial reporting requirements under U.S. GAAP.

Section 4013 of the CARES Act allowed financial institutions to suspend application of certain current TDR accounting guidance under ASC 310-40 for loan modifications related to the COVID-19 pandemic made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 national emergency, provided certain criteria were met. This relief was able to be applied to loan modifications for borrowers that were not more than 30 days past due as of December 31, 2019 and to loan modifications that deferred or delayed the payment of principal or interest, or changed the interest rate on the loan. The Company chose to apply this relief to eligible loan modifications.

In April 2020, federal and state banking regulators issued the Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus to provide separate relief, specifically indicating that if a modification is either short-term (e.g., six months) or mandated by a federal or state government in response to the COVID-19 pandemic, the borrower is not considered to be experiencing financial difficulty and thus does not represent a TDR under ASC 310-40. Additionally, in August 2020, regulators issued the Joint Statement on Additional Loan Accommodations Related to the COVID-19 pandemic to provide prudent risk management and consumer protection principles for financial institutions to consider while working with borrowers as loans near the end of initial loan accommodation periods applicable during the COVID-19 pandemic. The Company continues to prudently work with borrowers negatively impacted by the COVID-19 pandemic while managing credit risks and recognizing appropriate allowance for credit losses on its loan portfolio.

The business tax provisions of the CARES Act include temporary changes to income and non-income based tax laws, including immediate recovery of qualified improvement property costs and acceleration of Alternative Minimum Tax ("AMT") credits. These provisions are not expected to have a material impact on the Company's deferred taxes.

On December 27, 2020, the Consolidated Appropriations Act, 2021 (the "CAA"), which combined stimulus relief for the COVID-19 pandemic with an omnibus spending bill for the 2021 fiscal year, was signed by the former President of the United States. The CAA included extension of TDR accounting relief provided under the CARES Act to January 1, 2022. The Company considered this extension in the identification of TDRs during the year ended December 31, 2021.

Reference Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848),” which provides temporary optional relief for contracts modified as a result of reference rate reform meeting certain modification criteria, generally allowing an entity to account for contract modifications occurring due to reference rate reform as an event that does not require contract remeasurement or reassessment of a previous accounting determination at the modification date. The guidance also includes temporary optional expedients intended to provide relief from various hedge effectiveness requirements for hedging relationships affected by reference rate reform, provided certain criteria are met, and allows a one-time election to sell or transfer to either available-for-sale or trading any held-to-maturity ("HTM") debt securities that refer to an interest rate affected by reference rate reform and were classified as HTM prior to January 1, 2020. Additionally, in January 2021, the FASB issued ASU No. 2021-01, “Reference Rate Reform (Topic 848): Scope,” which provided additional clarification that certain optional expedients and exceptions noted above apply to derivative instruments that use an interest rate for margining, discounting or contract price alignment that is modified as a result of reference rate reform. This guidance was effective upon issuance and can be applied prospectively, with certain exceptions, through December 31, 2022.

In November 2020, federal and state banking regulators issued the “Interagency Policy Statement on Reference Rates for Loans" to reiterate that a specific replacement rate for loans impacted by reference rate reform has not been endorsed and entities may utilize any replacement reference rate determined to be appropriate based on its funding model and customer needs. As discussed in the “Interagency Policy Statement on Reference Rates for Loans," fallback language should be included in lending contracts to provide for use of a robust fallback rate if the initial reference rate is discontinued. Additionally, federal banking regulators issued the "Interagency Statement on LIBOR Transition" acknowledging that the administrator of LIBOR has announced it will consult on its intention to cease the publication of the one week and two month USD LIBOR settings

immediately following the LIBOR publication on December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. As discussed in the "Interagency Statement on LIBOR Transition," regulators encouraged banks to cease entering into new contracts that use USD LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021, in order to facilitate an orderly, safe and sound LIBOR transition. The Company continues to monitor efforts and evaluate the impact of reference rate reform on its consolidated financial statements, including developing processes for assessing accounting impact.

Codification Improvements

In October 2020, the FASB issued ASU No. 2020-08, “Codification Improvements to Subtopic 310-20, Receivables — Nonrefundable Fees and Other Costs,” clarifying that, for each reporting period, an entity should reevaluate whether a callable debt security with multiple call dates is within the scope of ASC 310-20, which was amended to require amortization of any premium to the next call date. The next call date was defined as the first date when a call option at a specified price becomes exercisable. The Company adopted ASU No. 2020-08 as of January 1, 2021 under a prospective approach. Adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Additionally, the FASB issued ASU No. 2020-10, “Codification Improvements,” in October 2020 to improve the consistency of the codification by adding or moving disclosure-specific guidance contained in the Other Presentation Matters section to the appropriate Disclosure Section for various Topics. The Company adopted ASU No. 2020-10 as of January 1, 2021 under a retrospective approach. Adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Debt

In October 2020, the FASB issued ASU No. 2020-09, “Debt (Topic 470): Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762," which provides amendments to the SEC Materials and Disclosure sections within ASC Topics 270, Interim Reporting, 460, Guarantees, 470, Debt, and 505, Equity, impacted by the Financial Disclosures about Guarantors and Issuers of Guaranteed Securities and Affiliates Whose Securities Collateralize a Registrant’s Securities SEC ruling. This guidance was effective on January 4, 2021, consistent with SEC Release No. 33-10762, and the Company applied the guidance prospectively. Adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

Financial Disclosures about Acquired and Disposed Businesses

In May 2020, the SEC issued a final rule on “Amendments to Financial Disclosures about Acquired and Disposed Businesses,” which provides for specific disclosure changes, including revising the investment and income significance tests, conforming the significance threshold and tests for a disposed business to those used for an acquired business, permitting abbreviated financial statements for certain acquisitions of a component of an entity, and reducing the maximum number of years for which financial statements are required for acquired businesses from three years to two years, among other amendments. This guidance was effective on January 1, 2021. Adoption of this guidance did not have a material impact on the Company’s consolidated financial statements.

In August 2021, the FASB issued ASU No. 2021-06, "Presentation of Financial Statements (Topic 206), Financial Services - Depository and Lending (Topic 942), and Financial Services - Investment Companies (Topic 946)" which amends certain SEC paragraphs in the codification in response to SEC final rule over Financial Disclosures about Acquired and Disposed Businesses by amending ASC Topic 946 by providing additional guidance on financial statement requirements related to Regulation S-X Rule 6-11, Financial Statements of Funds Acquired or to be Acquired. This guidance was effective upon issuance on August 9, 2021. Adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Statistical Disclosures for Bank and Savings and Loan Registrants

In September 2020, the SEC issued a final rule on the “Update of Statistical Disclosures for Bank and Savings and Loan Registrants,” which adopts rules to update statistical disclosure requirements for banking registrants. The amendments update and expand the disclosures that registrants are required to provide, codify certain Industry Guide 3 disclosure items and eliminate other Guide 3 disclosures that overlap with SEC rules, GAAP or IFRS standards. In addition, Guide 3 is being rescinded and replaced with a new subpart of Regulation S-K. The SEC ruling is applicable to fiscal years beginning after December 15, 2021 and early compliance is permitted. The Company adopted this guidance in conjunction with the issuance of 2021 Form 10-K and adoption did not have a material impact on the Company’s consolidated financial statements.

In August 2021, the FASB issued ASU No. 2021-06, "Presentation of Financial Statements (Topic 206), Financial Services - Depository and Lending (Topic 942), and Financial Services - Investment Companies (Topic 946)" which amends certain SEC paragraphs in the codification in response to the SEC final rule on the Update of Statistical Disclosures for Banks and Savings and Loan Registrants by removing the disclosure requirements for various categories of loans contained in ASC Topic 942. This guidance was effective upon issuance on August 9, 2021. Adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

(2) Recent Accounting Pronouncements

Debt

In August 2020, the FASB issued ASU No. 2020-06, “Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity,” which includes provisions for reducing the number of accounting models used in accounting for convertible debt instruments and convertible preferred stock, amending derivatives and earnings-per-share (EPS) guidance and expanding disclosures for convertible debt instruments and EPS. This guidance is effective for fiscal years beginning after December 15, 2021, including interim periods therein, and is to be applied under either a full or modified retrospective approach. Early adoption is permitted. The Company does not expect this guidance to have a material impact on the Company’s consolidated financial statements.

Equity Instruments

In May 2021, the FASB issued ASU No. 2021-04, “Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options,” which requires an issuer to account for any modification or exchange of the terms or conditions of a freestanding equity-classified written call option that remains classified as equity to be treated as an exchange of the original instrument for a new instrument, and provides a framework for measuring and recognizing the effect of the exchange as an adjustment to either equity or expense. This guidance is effective for fiscal years beginning after December 15, 2021, including interim periods therein, and is to be applied prospectively. Early adoption is permitted. The Company does not expect this guidance to have a material impact on the Company’s consolidated financial statements.

Leases

In July 2021, the FASB issued ASU No. 2021-05, "Leases (Topic 842): Lessors – Certain Leases with Variable Lease Payments" which amends lessor lease classification requirements to allow leases with variable lease payments that are not dependent on a reference index or rate to be classified and accounted for as an operating lease, provided the lease would have been classified as a sales-type or direct financing lease and the lessor would have otherwise recognized a day-one loss. This guidance is effective for fiscal years beginning after December 15, 2021, including interim periods therein, with early adoption permitted. As the Company has adopted ASC Topic 842, this guidance is to be applied retrospectively to leases that commenced or were modified after adoption or prospectively to leases that will commence or be modified after the application of these amendments. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Business Combinations

In October 2021, the FASB issued ASU No. 2021-08, “Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Customers with Contracts,” which clarifies diversity in practice related to recognition and measurement of contract assets and liabilities related to revenue contracts with customers which are acquired in a business combination by aligning business combination accounting with the subsequent accounting for contract assets and liabilities by requiring entities to apply ASC Topic 606, Revenue from Contracts with Customers, in order to recognize and measure deferred revenue in a business combination. The guidance also creates an exception to the general recognition and measurement principle in ASC Topic 805, Business Combinations, under which such amounts are recognized by the acquirer at fair value on the acquisition date by providing two practical expedients for acquirers. This guidance is effective for fiscal years beginning after December 15, 2022, including interim periods therein, and is to be applied either prospectively or retrospectively depending on the date of initial application. Early adoption is permitted. The Company does not expect this guidance to have a material impact on the Company’s consolidated financial statements.

Disclosure of Government Assistance Received
In December 2021, the FASB issued ASU No. 2021-10, “Government Assistance (Topic 832), Disclosures by Business Entities about Government Assistance,” which improves transparency in financial reporting by requiring business entities to disclose information about certain types of government assistance received, specifically transactions with a government which are accounted for by analogizing to a grant or contribution model. This guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted, and is to be applied either prospectively to all previous and new transactions within the scope of the amendments at time of initial application or retrospectively. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

(3) Investment Securities

A summary of the available-for-sale and held-to-maturity securities portfolios presenting carrying amounts and gross unrealized gains and losses as of December 31, 2021 and 2020 is as follows:

	December 31, 2021				December 31, 2020			
(Dollars in thousands)	**Amortized Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair Value**	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair Value
Available-for-sale securities								
U.S. Treasury	**$ —**	**$ —**	**$ —**	**$ —**	$ 304,956	$ 15	$ —	$ 304,971
U.S. Government agencies	**50,158**	**2,349**	**—**	**52,507**	80,074	4,439	—	84,513
Municipal	**161,618**	**4,193**	**(217)**	**165,594**	141,244	5,707	(41)	146,910
Corporate notes:								
Financial issuers	**96,878**	**418**	**(2,599)**	**94,697**	91,786	1,363	(2,764)	90,385
Other	**1,000**	**7**	**—**	**1,007**	1,000	20	—	1,020
Mortgage-backed: (1)								
Mortgage-backed securities	**1,901,005**	**32,830**	**(25,854)**	**1,907,981**	2,330,332	86,721	(15)	2,417,038
Collateralized mortgage obligations	**105,710**	**297**	**—**	**106,007**	10,689	313	—	11,002
Total available-for-sale securities	**$ 2,316,369**	**$ 40,094**	**$ (28,670)**	**$ 2,327,793**	$ 2,960,081	$ 98,578	$ (2,820)	$ 3,055,839
Held-to-maturity securities								
U.S. Government agencies	**$ 180,192**	**$ 201**	**$ (3,314)**	**$ 177,079**	$ 177,959	$ 2,552	$ —	$ 180,511
Municipal	**187,486**	**9,544**	**(223)**	**196,807**	200,707	12,232	(214)	212,725
Mortgage-backed securities	**2,530,730**	**864**	**(47,622)**	**2,483,972**	200,531	—	—	200,531
Corporate notes	**43,955**	**—**	**(1,119)**	**42,836**	—	—	—	—
Total held-to-maturity securities	**$ 2,942,363**	**$ 10,609**	**$ (52,278)**	**$ 2,900,694**	$ 579,197	$ 14,784	$ (214)	$ 593,767
Less: Allowance for credit losses	**(78)**				(59)			
Held-to-maturity securities, net of allowance for credit losses	**$ 2,942,285**				$ 579,138			
Equity securities with readily determinable fair value	**$ 86,989**	**$ 5,354**	**$ (1,832)**	**$ 90,511**	$ 87,618	$ 3,674	$ (430)	$ 90,862

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

Equity securities without readily determinable fair values totaled $37.5 million as of December 31, 2021. Equity securities without readily determinable fair values are included as part of accrued interest receivable and other assets in the Company’s Consolidated Statements of Condition. The Company monitors its equity investments without readily determinable fair values to identify potential transactions that may indicate an observable price change in orderly transactions for the identical or a similar investment of the same issuer, requiring adjustment to its carrying amount. The Company recorded no upward and no downward adjustments on such securities in 2021. The Company conducts a quarterly assessment of its equity securities without readily determinable fair values to determine whether impairment exists in such equity securities, considering, among other factors, the nature of the securities, financial condition of the issuer and expected future cash flows. During the year ended December 31, 2021, the Company recorded $2.4 million of impairment of equity securities without readily determinable fair values.

The following tables present the portion of the Company's available-for-sale debt securities portfolios which had gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2021 and 2020, respectively:

As of December 31, 2021	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
Available-for-sale securities						
U.S. Treasury	$ —	$ —	$ —	$ —	$ —	$ —
U.S. Government agencies	—	—	—	—	—	—
Municipal	47,726	(200)	850	(17)	48,576	(217)
Corporate notes:						
Financial issuers	23,855	(1,145)	45,539	(1,454)	69,394	(2,599)
Other	—	—	—	—	—	—
Mortgage-backed:						
Mortgage-backed securities	742,743	(16,571)	221,350	(9,283)	964,093	(25,854)
Collateralized mortgage obligations	—	—	—	—	—	—
Total available-for-sale securities	$ 814,324	$ (17,916)	$ 267,739	$ (10,754)	$ 1,082,063	$ (28,670)

As of December 31, 2020	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
Available-for-sale securities						
U.S. Treasury	$ —	$ —	$ —	$ —	$ —	$ —
U.S. Government agencies	—	—	—	—	—	—
Municipal	17,997	(38)	112	(3)	18,109	(41)
Corporate notes:						
Financial issuers	—	—	72,058	(2,764)	72,058	(2,764)
Other	—	—	—	—	—	—
Mortgage-backed:						
Mortgage-backed securities	972	(14)	62	(1)	1,034	(15)
Collateralized mortgage obligations	—	—	—	—	—	—
Total available-for-sale securities	$ 18,969	$ (52)	$ 72,232	$ (2,768)	$ 91,201	$ (2,820)

The Company conducts a regular assessment of its investment securities to determine whether securities are experiencing credit losses. Factors for consideration include the nature of the securities, credit ratings or financial condition of the issuer, the extent 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 available-for-sale securities with unrealized losses at December 31, 2021 to be experiencing credit losses and recognized no resulting allowance for credit losses for such individually assessed credit losses. 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. Available-for-sale securities with continuous unrealized losses existing for more than twelve months at December 31, 2021 were primarily mortgage-backed securities.

See Note 5—Allowance for Credit Losses for further discussion regarding any credit losses associated with held-to-maturity securities at December 31, 2021.

The following table provides information as to the amount of gross gains and gross losses realized and proceeds received through the sales and calls of investment securities:

	Years Ended December 31,		
(Dollars in thousands)	**2021**	2020	2019
Realized gains on investment securities	**$ 1,252**	$ 751	$ 931
Realized losses on investment securities	**(173)**	(530)	(32)
Net realized gains on investment securities	**1,079**	221	899
Unrealized gains on equity securities with readily determinable fair value	**2,688**	4,265	3,057
Unrealized losses on equity securities with readily determinable fair value	**(2,411)**	(3,818)	(568)
Net unrealized gains on equity securities with readily determinable fair value	**277**	447	2,489
Upward adjustments of equity securities without readily determinable fair values	**—**	401	505
Downward adjustments of equity securities without readily determinable fair values	**—**	—	(106)
Impairment of equity securities without readily determinable fair values	**(2,415)**	(2,995)	(262)
Adjustment and impairment, net, of equity securities without readily determinable fair values	**(2,415)**	(2,594)	137
Other than temporary impairment charges(1)	**—**	—	—
(Losses) gains on investment securities, net	**$ (1,059)**	$ (1,926)	$ 3,525
Proceeds from sales of available-for-sale securities(2)	**$ 192,227**	$ 502,250	$ 972,253
Proceeds from sales of equity securities with readily determinable fair value	**9,759**	6,530	19,200
Proceeds from sales and capital distributions of equity securities without readily determinable fair value	**2,685**	1,857	1,764

(1) Applicable to periods prior to the adoption of ASU 2016-13.

(2) Includes proceeds from available-for-sale securities sold in accordance with written covered call options sold to a third party.

Net losses/gains on investment securities resulted in income tax (benefit) expense of $(282,000), $(513,000) and $939,000 in 2021, 2020 and 2019, respectively.

The amortized cost and fair value of securities as of December 31, 2021 and December 31, 2020, 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:

	December 31, 2021		December 31, 2020	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Available-for-sale securities				
Due in one year or less	**$ 49,714**	**$ 49,822**	$ 343,601	$ 343,846
Due in one to five years	**72,382**	**73,850**	67,901	70,334
Due in five to ten years	**118,358**	**117,573**	111,886	112,178
Due after ten years	**69,200**	**72,560**	95,672	101,441
Mortgage-backed	**2,006,715**	**2,013,988**	2,341,021	2,428,040
Total available-for-sale securities	**$ 2,316,369**	**$ 2,327,793**	$ 2,960,081	$ 3,055,839
Held-to-maturity securities				
Due in one year or less	**$ 2,976**	**$ 2,992**	$ 7,138	$ 7,186
Due in one to five years	**79,422**	**79,705**	22,217	23,068
Due in five to ten years	**106,713**	**112,667**	150,621	159,293
Due after ten years	**222,522**	**221,358**	198,690	203,689
Mortgage-backed	**2,530,730**	**2,483,972**	200,531	200,531
Total held-to-maturity securities	**$ 2,942,363**	**$ 2,900,694**	$ 579,197	$ 593,767
Less: Allowance for credit losses	**(78)**		(59)	
Held-to-maturity securities, net of allowance for credit losses	**$ 2,942,285**		$ 579,138	

At December 31, 2021 and December 31, 2020, securities having a carrying value of $2.6 billion and $2.4 billion, respectively, were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At December 31, 2021, there were no securities of a single issuer, other than U.S. Government-sponsored agency securities, which exceeded 10% of shareholders’ equity.

(4) Loans

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

(Dollars in thousands)	December 31, 2021	December 31, 2020
Balance:		
Commercial	**$ 11,904,068**	$ 11,955,967
Commercial real estate	**8,990,286**	8,494,132
Home equity	**335,155**	425,263
Residential real estate	**1,637,099**	1,259,598
Premium finance receivables—property & casualty	**4,855,487**	4,054,489
Premium finance receivables—life insurance	**7,042,810**	5,857,436
Consumer and other	**24,199**	32,188
Total loans, net of unearned income	**$ 34,789,104**	$ 32,079,073
Mix:		
Commercial	**34 %**	37 %
Commercial real estate	**26**	26
Home equity	**1**	1
Residential real estate	**5**	5
Premium finance receivables—property & casualty	**14**	13
Premium finance receivables—life insurance	**20**	18
Consumer and other	**0**	0
Total loans, net of unearned income	**100 %**	100 %

The Company's loan portfolio is generally comprised of loans to consumers and small to medium-sized businesses, which, for the commercial and commercial real estate portfolios, are located primarily within the geographic market areas that the banks serve. Various niche lending businesses, including lease finance and franchise lending, operate on a national level. Additionally, to provide short-term relief due to macroeconomic deterioration from the COVID-19 pandemic to small businesses within such market areas, the Company originated loans through PPP, an expansion of guaranteed lending under Section 7(a) of the Small Business Act within the CARES Act. As of December 31, 2021, the Company's commercial portfolio included approximately $558.3 million of such PPP loans. 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.

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $135.5 million and $113.1 million at December 31, 2021 and 2020, respectively.

Total loans, excluding PCD loans, include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $50.8 million at December 31, 2021 and $(3.2) million at December 31, 2020. Net deferred fees as of December 31, 2021 includes $12.7 million of net deferred fees paid by the SBA for loans originated under the PPP. As PPP loans share similar characteristics (loan terms), and prepayments are considered probable and can reasonably be estimated due to terms of the program, the Company considers estimated future principal prepayments in recognizing such deferred fee for determining a constant effective yield on the portfolio of loans.

Certain real estate loans, including mortgage loans held-for-sale, commercial, consumer, and home equity loans with balances totaling approximately $8.0 billion and $7.0 billion at December 31, 2021 and 2020, respectively, were pledged as collateral to secure the availability of borrowings from certain federal agency banks. At December 31, 2021, approximately $7.8 billion of these pledged loans are included in a blanket pledge of qualifying loans to the FHLB. The remaining $189.7 million of pledged loans was used to secure potential borrowings at the FRB discount window. At December 31, 2021 and 2020, the banks had outstanding borrowings of $1.2 billion and $1.2 billion, respectively, from the FHLB in connection with these collateral arrangements. See Note 11, "Federal Home Loan Bank Advances," for a summary of these borrowings.

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 assure access to collateral, in the event of default, through adherence to state lending laws and the Company's credit monitoring procedures.

Acquired Loan Information — PCD Loans

As part of the Company's acquisitions during 2021, the Company acquired loans that were classified as PCD based upon various factors as of the date of acquisition, including internal risk rating methodologies and prior classification as a TDR. The following table provides estimated details as of the date of acquisition on PCD loans acquired in 2021:

(Dollars in thousands)		Insurance Agency Loan Portfolio
Contractually required payments (unpaid principal balance)	$	**13,882**
Allowance for credit losses (1)		**(2,806)**
Discount, net of any premium		**(214)**
Purchase price of PCD loans acquired	$	**10,862**

(1) The initial allowance for credit losses on PCD loans acquired during 2021 measured approximately $2.8 million, of which $2.3 million was charged off related to PCD loans that met the Company's charge-off policy at the time of acquisition. After considering these loans that were immediately charged off, the net impact of PCD allowance for credit losses at the acquisition date was approximately $470,000.

(5) Allowance for Credit Losses

In accordance with ASC 326, the Company is required to measure the allowance for credit losses of financial assets with similar risk characteristics on a collective or pooled basis. In considering the segmentation of financial assets measured at amortized cost into pools, the Company considered various risk characteristics in its analysis. Generally, the segmentation utilized represents the level at which the Company develops and documents its systematic methodology to determine the allowance for credit losses for the financial asset held at amortized cost, specifically the Company's loan portfolio and debt securities classified as held-to-maturity. Below is a summary of the Company's loan portfolio segments and major debt security types:

Commercial loans, including PPP loans: The Company makes commercial loans for many purposes, including working capital lines and leasing arrangements, that are generally renewable annually and supported by business assets, personal guarantees and additional collateral. Underlying collateral includes receivables, inventory, enterprise value and the assets of the business. Commercial business lending is generally considered to involve a slightly higher degree of risk than traditional consumer bank lending. This portfolio includes a range of industries, including manufacturing, restaurants, franchise, professional services, equipment finance and leasing, mortgage warehouse lending and industrial.

The Company also originated loans through PPP. Administered by the SBA, PPP provides short-term relief primarily related to the disruption from COVID-19 to companies and non-profits that meet the SBA's definition of an eligible small business. Under the program, the SBA will forgive all or a portion of the loan if, during a certain period, loans are used for qualifying expenses. If all or a portion of the loan is not forgiven, the borrower is responsible for repayment. PPP loans are fully guaranteed by the SBA, including any portion not forgiven. The SBA guarantee exists at the inception of the loan and throughout its life and is not separated from the loan if the loan is subsequently sold or transferred. As it is not considered a freestanding contract, the Company considers the impact of the SBA guarantee when measuring the allowance for credit losses.

Commercial real estate loans, including construction and development, and non-construction: The Company's commercial real estate loans are generally secured by a first mortgage lien and assignment of rents on the underlying property. Since most of the Company's bank branches are located in the Chicago metropolitan area and southern Wisconsin, a significant portion of the Company's commercial real estate loan portfolio is located in this region. As the risks and circumstances of such loans in construction phase vary from that of non-construction commercial real estate loans, the Company assessed the allowance for credit losses separately for these two segments.

Home equity loans: The Company's home equity loans and lines of credit are primarily originated by each of the bank subsidiaries in their local markets where there is a strong understanding of the underlying real estate value. The Company's banks monitor and manage these loans, and conduct an automated review of all home equity loans and lines of credit at least twice per year. The bank's subsidiaries use this information to manage loans that may be higher risk and to determine whether to obtain additional credit information or updated property valuations. In a limited number of cases, the Company may issue home equity credit together with first mortgage financing, and requests for such financing are evaluated on a combined basis.

Residential real estate loans: The Company's residential real estate portfolio includes one- to four-family adjustable rate mortgages that have repricing terms generally over five years, construction loans to individuals and bridge financing loans for qualifying customers as well as certain long-term fixed rate loans. The Company's residential mortgages relate to properties located principally in the Chicago metropolitan area and southern Wisconsin or vacation homes owned by local residents. Due to interest rate risk considerations, the Company generally sells in the secondary market loans originated with long-term fixed rates, however, certain of these loans may be retained within the banks' own loan portfolios where they are non-agency conforming, or where the terms of the loans make them favorable to retain. The Company believes that since this loan portfolio consists primarily of locally originated loans, and since the majority of the borrowers are longer-term customers with lower LTV ratios, the Company faces a relatively low risk of borrower default and delinquency. It is not the Company's current practice to underwrite, and there are no plans to underwrite subprime, Alt A, no or little documentation loans, or option ARM loans.

Premium finance receivables: The Company makes loans to businesses to finance the insurance premiums they pay on their property and casualty insurance policies. The loans are indirectly originated by working through independent medium and large insurance agents and brokers located throughout the United States and Canada. The insurance premiums financed are primarily for commercial customers' purchases of liability, property and casualty and other commercial insurance. This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. The Company performs ongoing credit and other reviews of the agents and brokers to mitigate against the risk of fraud.

The Company also originates life insurance premium finance receivables. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and legal counsel. The life insurance policy is the primary form of collateral. In addition, these loans often are secured with a letter of credit, marketable securities or certificates of deposit. In some cases, the Company may make a loan that has a partially unsecured position.

Consumer and other loans: Included in the consumer and other loan category is a wide variety of personal and consumer loans to individuals. The Company originates consumer loans in order to provide a wider range of financial services to their customers. Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk than mortgage loans due to the type and nature of the collateral.

U.S. government agency securities: This security type includes debt obligations of certain government-sponsored entities of the U.S. government such as the Federal Home Loan Bank, Federal Agricultural Mortgage Corporation, Federal Farm Credit Banks Funding Corporation and Fannie Mae. Such securities often contain an explicit or implicit guarantee of the U.S. government.

Municipal securities: The Company's municipal securities portfolio includes bond issues for various municipal government entities located throughout the United States, including the Chicago metropolitan area and southern Wisconsin, some of which are privately placed and non-rated. Though the risk of loss is typically low, including within the Company, default history exists on municipal securities within the United States.

Mortgage-backed securities: This security type includes debt obligations supported by pools of individual mortgage loans and issued by certain government-sponsored entities of the U.S. Government such as Freddie Mac and Fannie Mae. Such securities are considered to contain an implicit guarantee of the U.S. Government.

Corporate notes: The Company's corporate notes portfolio includes bond issues for various public companies representing a diversified population of industries. The risk of loss in this portfolio is considered low based on the characteristics of the investments, including the Company's own past history with similar investments.

In accordance with ASC 326, the Company elected to not measure an allowance for credit losses on accrued interest. As such, accrued interest is written off in a timely manner when deemed uncollectible. Any such write-off of accrued interest will reverse previously recognized interest income. In addition, the Company elected to not include accrued interest within presentation and disclosures of the carrying amount of financial assets held at amortized cost. This election is applicable to the various disclosures included within the Company's financial statements. Accrued interest related to financial assets held at amortized cost is included within accrued interest receivable and other assets within the Company's Consolidated Statements of Condition and totaled $117.4 million at December 31, 2021 and $121.9 million at December 31, 2020.

The tables below show the aging of the Company’s loan portfolio by the segmentation noted above at December 31, 2021 and 2020.

As of December 31, 2021 (In thousands)	**Nonaccrual**	**90+ days and still accruing**	**60-89 days past due**	**30-59 days past due**	**Current**	**Total Loans**
Loan Balances (includes PCD):						
Commercial						
Commercial, industrial and other, excluding PPP loans	**$ 20,399**	**$ —**	**$ 23,492**	**$ 42,933**	**$ 11,258,961**	**$ 11,345,785**
Commercial PPP loans	**—**	**15**	**770**	**928**	**556,570**	**558,283**
Commercial real estate:						
Construction and development	**1,377**	**—**	**—**	**2,809**	**1,352,018**	**1,356,204**
Non-construction	**20,369**	**—**	**284**	**37,634**	**7,575,795**	**7,634,082**
Home equity	**2,574**	**—**	**—**	**1,120**	**331,461**	**335,155**
Residential real estate	**16,440**	**—**	**982**	**12,420**	**1,607,257**	**1,637,099**
Premium finance receivables						
Property & casualty insurance loans	**5,433**	**7,210**	**15,490**	**22,419**	**4,804,935**	**4,855,487**
Life insurance loans	**—**	**7**	**12,614**	**66,651**	**6,963,538**	**7,042,810**
Consumer and other	**477**	**137**	**34**	**509**	**23,042**	**24,199**
Total loans, net of unearned income	**$ 67,069**	**$ 7,369**	**$ 53,666**	**$ 187,423**	**$ 34,473,577**	**$ 34,789,104**

As of December 31, 2020 (In thousands)	**Nonaccrual**	**90+ days and still accruing**	**60-89 days past due**	**30-59 days past due**	**Current**	**Total Loans**
Loan Balances (includes PCD):						
Commercial						
Commercial, industrial and other, excluding PPP loans	$ 21,743	$ 307	$ 6,900	$ 44,345	$ 9,166,751	$ 9,240,046
Commercial PPP loans	—	—	—	36	2,715,885	2,715,921
Commercial real estate						
Construction and development	5,633	—	—	5,344	1,360,825	1,371,802
Non-construction	40,474	—	5,178	26,772	7,049,906	7,122,330
Home equity	6,529	—	47	637	418,050	425,263
Residential real estate	26,071	—	1,635	12,584	1,219,308	1,259,598
Premium finance receivables						
Property & casualty insurance loans	13,264	12,792	6,798	18,809	4,002,826	4,054,489
Life insurance loans	—	—	21,003	30,465	5,805,968	5,857,436
Consumer and other	436	264	24	136	31,328	32,188
Total loans, net of unearned income	$ 114,150	$ 13,363	$ 41,585	$ 139,128	$ 31,770,847	$ 32,079,073

Credit Quality Indicators

Credit quality indicators, specifically the Company's internal risk rating systems, reflect how the Company monitors credit losses and represents factors used by the Company when measuring the allowance for credit losses. The following discusses the Company's credit quality indicators by financial asset.

<u>Loan portfolios</u>

The Company's ability to manage credit risk depends in large part on our ability to properly identify and manage problem loans. To do so, the Company operates a credit risk rating system under which 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. These credit risk ratings are also an important aspect of the Company's allowance for credit losses measurement methodology. The credit risk rating structure and classifications are shown below:

Pass (risk rating 1 to 5): Based on various factors (liquidity, leverage, etc.), the Company believes asset quality is acceptable and is deemed to not require additional monitoring by the Company.

Special mention (risk rating 6): Assets in this category are currently protected, potentially weak, but not to the point of substandard classification. Loss potential is moderate if corrective action is not taken.

Substandard accrual (risk rating 7): Assets in this category have well defined weaknesses that jeopardize the liquidation of the debt. Loss potential is distinct but with no discernible impairment.

Substandard nonaccrual/doubtful (risk rating 8 and 9): Assets have all the weaknesses in those classified "substandard accrual" with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current existing facts, conditions, and values, improbable.

Loss/fully charged-off (risk rating 10): Assets in this category are considered fully uncollectible. As such, these assets have no carrying balance on the Company's Consolidated Statements of Condition.

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 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 and, as a result, no longer share similar risk characteristics as its related pool. If that is the case, the individual loan is considered collateral dependent and individually assessed for an allowance for credit loss. The Company's individual assessment 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 or a charge-off. If the Company determines 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. In determining the appropriate charge-off for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

The table below shows the Company's loan portfolio by credit quality indicator and year of origination at December 31, 2021:

As of December 31, 2021	**Year of Origination**							**Revolving**	**Total**
(In thousands)	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Revolving**	**to Term**	**Loans**
Loan Balances:									
Commercial, industrial and other									
Pass	$ 2,878,530	$ 1,517,832	$ 971,713	$ 692,439	$ 466,042	$ 661,422	$ 3,656,205	$ 18,101	$ 10,862,284
Special mention	48,867	56,220	74,411	26,005	11,261	39,945	108,572	5,727	371,008
Substandard accrual	3,034	11,359	22,101	27,428	5,739	6,752	15,502	179	92,094
Substandard nonaccrual/doubtful	204	3,959	7,283	1,364	2,438	4,831	72	248	20,399
Total commercial, industrial and other	$ 2,930,635	$ 1,589,370	$ 1,075,508	$ 747,236	$ 485,480	$ 712,950	$ 3,780,351	$ 24,255	$ 11,345,785
Commercial PPP									

Pass	$ 483,710	$ 66,051	$ —	$ —	$ —	$ —	$ —	$ —	$ 549,761
Special mention	161	7,466	—	—	—	—	—	—	7,627
Substandard accrual	—	895	—	—	—	—	—	—	895
Substandard nonaccrual/doubtful	—	—	—	—	—	—	—	—	—
Total commercial PPP	$ 483,871	$ 74,412	$ —	$ —	$ —	$ —	$ —	$ —	$ 558,283
Construction and development									
Pass	$ 370,769	$ 416,115	$ 286,959	$ 55,842	$ 41,015	$ 87,517	$ 11,817	$ 2,657	$ 1,272,691
Special mention	282	8,475	12,282	25,115	18,172	116	—	—	64,442
Substandard accrual	—	—	313	2,547	14,682	—	—	151	17,693
Substandard nonaccrual/doubtful	—	—	—	—	—	1,378	—	—	1,378
Total construction and development	$ 371,051	$ 424,590	$ 299,554	$ 83,504	$ 73,869	$ 89,011	$ 11,817	$ 2,808	$ 1,356,204
Non-construction									
Pass	$ 1,555,684	$ 1,137,883	$ 938,729	$ 767,775	$ 696,357	$ 1,940,673	$ 185,525	$ 15,863	$ 7,238,489
Special mention	3,543	15,452	53,902	38,721	27,169	110,332	—	—	249,119
Substandard accrual	—	286	14,545	27,322	18,133	65,820	—	—	126,106
Substandard nonaccrual/doubtful	—	—	—	12	1,717	18,639	—	—	20,368
Total non-construction	$ 1,559,227	$ 1,153,621	$ 1,007,176	$ 833,830	$ 743,376	$ 2,135,464	$ 185,525	$ 15,863	$ 7,634,082
Home equity									
Pass	$ 2	$ —	$ —	$ —	$ 28	$ 6,252	$ 310,285	$ —	$ 316,567
Special mention	—	—	—	—	—	438	4,868	241	5,547
Substandard accrual	—	—	—	183	67	6,803	860	2,554	10,467
Substandard nonaccrual/doubtful	—	—	108	—	42	2,136	288	—	2,574
Total home equity	$ 2	$ —	$ 108	$ 183	$ 137	$ 15,629	$ 316,301	$ 2,795	$ 335,155
Residential real estate									
Pass	$ 842,095	$ 280,081	$ 169,515	$ 68,780	$ 75,953	$ 154,674	$ —	$ —	$ 1,591,098
Special mention	1,849	264	450	1,663	1,766	6,892	—	—	12,884
Substandard accrual	1,249	2,208	724	1,075	2,425	8,996	—	—	16,677
Substandard nonaccrual/doubtful	—	1,075	1,640	1,024	2,406	10,295	—	—	16,440
Total residential real estate	$ 845,193	$ 283,628	$ 172,329	$ 72,542	$ 82,550	$ 180,857	$ —	$ —	$ 1,637,099
Premium finance receivables - property & casualty									
Pass	$ 4,766,171	$ 26,706	$ 9,637	$ 1,020	$ 48	$ —	$ —	$ —	$ 4,803,582
Special mention	44,648	423	—	—	—	—	—	—	45,071
Substandard accrual	1,086	280	—	35	—	—	—	—	1,401
Substandard nonaccrual/doubtful	4,645	788	—	—	—	—	—	—	5,433
Total premium finance receivables - property & casualty	$ 4,816,550	$ 28,197	$ 9,637	$ 1,055	$ 48	$ —	$ —	$ —	$ 4,855,487
Premium finance receivables - life									
Pass	$ 510,661	$ 857,553	$ 798,535	$ 702,894	$ 736,384	$ 3,436,783	$ —	$ —	$ 7,042,810
Special mention	—	—	—	—	—	—	—	—	—
Substandard accrual	—	—	—	—	—	—	—	—	—
Substandard nonaccrual/doubtful	—	—	—	—	—	—	—	—	—
Total premium finance receivables - life	$ 510,661	$ 857,553	$ 798,535	$ 702,894	$ 736,384	$ 3,436,783	$ —	$ —	$ 7,042,810
Consumer and other									
Pass	$ 2,960	$ 885	$ 1,127	$ 1,197	$ 57	$ 4,436	$ 12,780	$ —	$ 23,442
Special mention	5	2	13	—	78	54	9	—	161
Substandard accrual	—	2	—	—	—	107	10	—	119
Substandard nonaccrual/doubtful	—	4	—	100	—	373	—	—	477
Total consumer and other	$ 2,965	$ 893	$ 1,140	$ 1,297	$ 135	$ 4,970	$ 12,799	$ —	$ 24,199
Total loans (1)									
Pass	$ 11,410,582	$ 4,303,106	$ 3,176,215	$ 2,289,947	$ 2,015,884	$ 6,291,757	$ 4,176,612	$ 36,621	$ 33,700,724
Special mention	99,355	88,302	141,058	91,504	58,446	157,777	113,449	5,968	755,859
Substandard accrual	5,369	15,030	37,683	58,590	41,046	88,478	16,372	2,884	265,452
Substandard nonaccrual/doubtful	4,849	5,826	9,031	2,500	6,603	37,652	360	248	67,069
Total loans	$ 11,520,155	$ 4,412,264	$ 3,363,987	$ 2,442,541	$ 2,121,979	$ 6,575,664	$ 4,306,793	$ 45,721	$ 34,789,104

(1) *Includes $31.7 million of loans with COVID-19 related modifications that migrated from pass as of March 1, 2020 to special mention or substandard accrual as of December 31, 2021. These loans were also qualitatively evaluated as a part of the measurement of the allowance for credit losses as of December 31, 2021.*

Held-to-maturity debt securities

The Company conducts an assessment of its investment securities, including those classified as held-to-maturity, at the time of purchase and on at least an annual basis to ensure such investment securities remain within appropriate levels of risk and continue to perform satisfactorily in fulfilling its obligations. The Company considers, among other factors, the nature of the securities and credit ratings or financial condition of the issuer. If available, the Company obtains a credit rating for issuers from a Nationally Recognized Statistical Rating Organization ("NRSRO") for consideration. If no such rating is available for an issuer, the Company performs an internal rating based on the scale utilized within the loan portfolio as discussed above. For purposes of the table below, the Company has converted any issuer rating from an NRSRO into the Company's internal ratings based on Investment Policy and review by the Company's management.

As of December 31, 2021	**Year of Origination**						**Total**
(In thousands)	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Balance**
Amortized Cost Balances:							
U.S. government agencies							
1-4 internal grade	$ 147,793	$ 25,000	$ 4,058	$ —	$ —	$ 3,341	$ 180,192
5-7 internal grade	—	—	—	—	—	—	—
8-10 internal grade	—	—	—	—	—	—	—
Total U.S. government agencies	$ 147,793	$ 25,000	$ 4,058	$ —	$ —	$ 3,341	$ 180,192
Municipal							
1-4 internal grade	$ 6,368	$ 326	$ 161	$ 7,487	$ 43,121	$ 130,023	$ 187,486
5-7 internal grade	—	—	—	—	—	—	—
8-10 internal grade	—	—	—	—	—	—	—
Total municipal	$ 6,368	$ 326	$ 161	$ 7,487	$ 43,121	$ 130,023	$ 187,486
Mortgage-backed securities							
1-4 internal grade	$ 2,530,730	$ —	$ —	$ —	$ —	$ —	$ 2,530,730
5-7 internal grade	—	—	—	—	—	—	—
8-10 internal grade	—	—	—	—	—	—	—
Total mortgage-backed securities	$ 2,530,730	$ —	$ —	$ —	$ —	$ —	$ 2,530,730
Corporate notes							
1-4 internal grade	$ —	$ 6,012	$ 7,398	$ 3,264	$ 3,215	$ 24,066	$ 43,955
5-7 internal grade	—	—	—	—	—	—	—
8-10 internal grade	—	—	—	—	—	—	—
Total corporate notes	$ —	$ 6,012	$ 7,398	$ 3,264	$ 3,215	$ 24,066	$ 43,955
Total held-to-maturity securities							$ 2,942,363
Less: Allowance for credit losses							(78)
Held-to-maturity securities, net of allowance for credit losses							$ 2,942,285

Measurement of Allowance for Credit Losses

The Company's allowance for credit losses consists of the allowance for loan losses, the allowance for unfunded commitment losses and the allowance for held-to-maturity debt security losses. In accordance with ASC 326, the Company measures the allowance for credit losses at the time of origination or purchase of a financial asset, representing an estimate of lifetime expected credit losses on the related asset. When developing its estimate, the Company considers available information relevant to assessing the collectability of cash flows, from both internal and external sources. Historical credit loss experience is one input in the estimation process as well as inputs relevant to current conditions and reasonable and supportable forecasts. In considering past events, the Company considers the relevance, or lack thereof, of historical information due to changes in such things as financial asset underwriting or collection practices, and changes in portfolio mix due to changing business plans and strategies. In considering current conditions and forecasts, the Company considers both the current economic environment and the forecasted direction of the economic environment with emphasis on those factors deemed relevant to or driving changes in expected credit losses. As significant judgment is required, the review of the appropriateness of the allowance for credit losses is performed quarterly by various committees with participation by the Company's executive management.

(In thousands)	December 31, 2021	December 31, 2020
Allowance for loan losses	$ 247,835	$ 319,374
Allowance for unfunded lending-related commitments losses	51,818	60,536
Allowance for loan losses and unfunded lending-related commitments losses	299,653	379,910
Allowance for held-to-maturity securities losses	78	59
Allowance for credit losses	$ 299,731	$ 379,969

The allowance for credit losses is measured on a collective or pooled basis when similar risk characteristics exist, based upon the segmentation discussed above. The Company utilizes modeling methodologies that estimate lifetime credit loss rates on each pool, including methodologies estimating the probability of default and loss given default on specific segments. Historical credit loss history is adjusted for reasonable and supportable forecasts developed by the Company on a quantitative or qualitative basis and incorporates third party economic forecasts. Reasonable and supportable forecasts consider the macroeconomic factors that are most relevant to evaluating and predicting expected credit losses in the Company's financial assets. Currently, the Company utilizes an eight quarter forecast period using a single macroeconomic scenario provided by a third-party and reviewed within the Company's governance structure. For periods beyond the ability to develop reasonable and supportable forecasts, the Company reverts to historical loss rates at an input level, straight-line over a four quarter reversion period. Expected credit losses are measured over the contractual term of the financial asset with consideration of expected prepayments. Expected extensions, renewals or modifications of the financial asset are only considered when either 1) the expected extension, renewal or modification is contained within the existing agreement and is not unconditionally cancelable, or 2) the expected extension, renewal or modification is reasonably expected to result in a TDR. The methodologies discussed above are applied to both current asset balances on the Company's Consolidated Statements of Condition and off-balance sheet commitments (i.e. unfunded lending-related commitments).

Assets that do not share similar risk characteristics with a pool are assessed for the allowance for credit losses on an individual basis. These typically include assets experiencing financial difficulties, including asset rated as substandard nonaccrual and doubtful as well as assets currently classified or expected to be classified as TDRs. If foreclosure is probable or the asset is considered collateral-dependent, expected credit losses are measured based upon the fair value of the underlying collateral adjusted for selling costs, if appropriate. Underlying collateral across the Company's segments consist primarily of real estate, land and construction assets as well as general business assets of the borrower. As of December 31, 2021, excluding loans carried at fair value, substandard nonaccrual and doubtful loans totaling $37.0 million in carrying balance had no related allowance for credit losses. For certain accruing current and expected TDRs, expected credit losses are measured based upon the present value of future cash flows of the modified asset terms compared to the amortized cost of the asset. Loans identified as being reasonably expected to be modified into TDRs in the future totaled $148,000 as of December 31, 2021.

The Company does not measure an allowance for credit losses on accrued interest receivable balances because these balances are written off in a timely manner as a reduction to interest income when assets are placed on nonaccrual status.

Loan portfolios

A summary of the activity in the allowance for credit losses by loan portfolio (i.e. allowance for loan losses and allowance for unfunded commitment losses) for the years ended December 31, 2021 and 2020 is as follows:

Year Ended December 31, 2021 (In thousands)	**Commercial**	**Commercial Real Estate**	**Home Equity**	**Residential Real Estate**	**Premium Finance Receivable**	**Consumer and Other**	**Total Loans**
Allowance for credit losses at beginning of period	**$ 94,212**	**$ 243,603**	**$ 11,437**	**$ 12,459**	**$ 17,777**	**$ 422**	**379,910**
Initial allowance for credit losses recognized on PCD assets acquired during the period [(1)]	**470**	**—**	**—**	**—**	**—**	**—**	**470**
Other adjustments	**—**	**—**	**—**	**—**	**3**	**—**	**3**
Charge-offs	**(20,801)**	**(3,293)**	**(336)**	**(1,082)**	**(9,020)**	**(487)**	**(35,019)**
Recoveries	**2,559**	**1,304**	**1,203**	**330**	**7,989**	**184**	**13,569**
Provision for credit losses	**42,867**	**(97,031)**	**(1,605)**	**(2,925)**	**(890)**	**304**	**(59,280)**
Allowance for credit losses at period end	**$ 119,307**	**$ 144,583**	**$ 10,699**	**$ 8,782**	**$ 15,859**	**$ 423**	**$ 299,653**
By measurement method:							
Individually evaluated for impairment	**5,196**	**2,237**	**192**	**899**	**—**	**28**	**8,552**
Collectively evaluated for impairment	**114,111**	**142,346**	**10,507**	**7,883**	**15,859**	**395**	**291,101**
Loans at period end:							
Individually evaluated for impairment	**$ 24,530**	**$ 30,167**	**$ 14,656**	**$ 23,306**	**$ —**	**$ 611**	**$ 93,270**
Collectively evaluated for impairment	**11,879,538**	**8,960,119**	**320,499**	**1,575,195**	**11,898,297**	**23,588**	**34,657,236**
Loans held at fair value	**—**	**—**	**—**	**38,598**	**—**	**—**	**38,598**

(1) The initial allowance for credit losses on PCD loans acquired during 2021 measured approximately $2.8 million, of which $2.3 million was charged off related to PCD loans that met the Company's charge-off policy at the time of acquisition. After considering these loans that were immediately charged off, the net impact of PCD allowance for credit losses at the acquisition date was approximately $470,000.

Year Ended December 31, 2020 (In thousands)	**Commercial**	**Commercial Real Estate**	**Home Equity**	**Residential Real Estate**	**Premium Finance Receivable**	**Consumer and Other**	**Total Loans**
Allowance for credit losses at beginning of period	$ 64,920	$ 68,511	$ 3,878	$ 9,800	$ 9,647	$ 1,705	$ 158,461
Cumulative effect adjustment from the adoption of ASU 2016-13	9,039	32,064	9,061	3,002	(4,959)	(863)	47,344
Other adjustments	—	—	—	—	179	—	179
Charge-offs	(18,293)	(15,960)	(2,061)	(891)	(15,472)	(528)	(53,205)
Recoveries	5,092	1,835	528	184	5,108	149	12,896
Provision for credit losses	33,454	157,153	31	364	23,274	(41)	214,235
Allowance for credit losses at period end	$ 94,212	$ 243,603	$ 11,437	$ 12,459	$ 17,777	$ 422	$ 379,910
By measurement method:							
Individually evaluated for impairment	4,820	2,237	197	684	—	88	8,026
Collectively evaluated for impairment	89,392	241,366	11,240	11,775	17,777	334	371,884
Loans at period end:							
Individually evaluated for impairment	$ 29,442	$ 56,656	$ 23,173	$ 29,886	$ —	$ 505	$ 139,662
Collectively evaluated for impairment	11,926,525	8,437,476	402,090	1,174,578	9,911,925	31,683	31,884,277
Loan held at fair value	—	—	—	55,134	—	—	55,134

At January 1, 2020, the Company adopted ASU 2016-13, which replaced the previous incurred loss methodology for measuring the allowance for credit losses with a lifetime expected loss methodology. At adoption, the allowance for credit losses related to loans and lending agreements increased approximately $47.3 million, including an increase of approximately $33.2 million recorded to the allowance for unfunded commitment losses within accrued interest and other liabilities on the Company's Consolidated Statements of Condition, with an offsetting amount recorded directly to retained earnings, net of taxes. The remaining $14.2 million cumulative effect adjustment was recorded to the allowance for loan losses, presented separately on the Company's Consolidated Statements of Condition. Of the amount recorded to the allowance for loan losses, $11.0 million related to PCD loans with such offsetting amount added directly to the carrying balance of the loans and the remaining

$3.2 million not related to PCD loans recorded directly to retained earnings, net of taxes, on the Company's Consolidated Statements of Condition.

For the year ending December 31, 2021, the Company recognized an approximately $59.3 million negative provision for credit losses related to loans and lending agreements, including an approximately $97.0 million negative provision for credit losses related to the commercial real estate portfolio. The negative provision was primarily the result of improvements in the macroeconomic forecast, specifically the Company’s macroeconomic forecasts of key model inputs (most notably, Commercial Real Estate Price Index primarily impacting the commercial real estate portfolio, and Baa corporate credit spreads) as well as improvements in characteristics of the Company's loan portfolios. These were partially offset by additional provision for credit losses measured on loan growth experienced by the Company in 2021 in various loan portfolios, excluding PPP. While uncertainties remain regarding expected economic performance, macroeconomic forecasts as of December 31, 2021 assume that the impact of those uncertainties is less severe compared to that assumed at December 31, 2020. Other key drivers of provision for credit losses in these portfolios include, but are not limited to, decreases to COVID-19 related loan modifications and positive loan risk rating migration. Net charge-offs in 2021 totaled $21.5 million.

Held-to-maturity debt securities

At January 1, 2020, the Company established an allowance for credit losses on its held-to-maturity debt securities totaling approximately $74,000, which is presented as a reduction to the amortized cost basis of held-to-maturity securities on the Company's Consolidated Statements of Condition. Such adjustment was recorded directly to the Company's retained earnings, net of taxes. During the year ended December 31, 2021, the Company recognized approximately $17,000 of provision for credit losses related to held-to-maturity securities.

TDRs

At December 31, 2021, the Company had $49.3 million in loans modified in TDRs. The $49.3 million in TDRs represents 247 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 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 with an existing credit risk rating of 6 or worse or a modification of any other credit, which will result in a restructured credit risk rating of 6 or worse must be reviewed for possible TDR classification. In that event, the Company’s Managed Assets Division conducts an overall credit and collateral review. A modification of a loan 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 where the credit risk rating is 5 or better 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 5 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 current interest rate represents a market rate at the time of 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.

TDRs are individually assessed at the time of modification and on a quarterly basis to measure an allowance for credit loss. 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 reserve. Each TDR was individually assessed at December 31, 2021 and approximately $3.3 million of allowance for credit losses was measured through the Company's normal reserving methodology.

TDRs may arise in which, due to financial difficulties experienced by the borrower, the Company obtains through physical possession one or more collateral assets in satisfaction of all or part of an existing credit. Once possession is obtained, the Company reclassifies the appropriate portion of the remaining balance of the credit from loans to OREO, which is included within other assets in the Consolidated Statements of Condition. For any residential real estate property collateralizing a consumer mortgage loan, the Company is considered to possess the related collateral only if legal title is obtained upon completion of foreclosure, or the borrower conveys all interest in the residential real estate property to the Company through completion of a deed in lieu of foreclosure or similar legal agreement. At December 31, 2021, the Company had $1.3 million of foreclosed residential real estate properties included within OREO. Further, the recorded investment in residential mortgage loans secured by residential real estate properties for which foreclosure proceedings are in process totaled $9.6 million and $18.9 million at December 31, 2021 and 2020, respectively.

The tables below present a summary of the post-modification balance of loans restructured during the years ended December 31, 2021, 2020, and 2019, which represent TDRs:

Year ended December 31, 2021	**Total [(1)(2)]**		**Extension at Below Market Terms [(2)]**		**Reduction of Interest Rate [(2)]**		**Modification to Interest-only Payments [(2)]**		**Forgiveness of Debt [(2)]**	
(In thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial										
Commercial, industrial and other	**16**	**$ 5,074**	**7**	**$ 847**	**1**	**$ 300**	**—**	**$ —**	**—**	**$ —**
Commercial real estate										
Non-construction	**5**	**2,944**	**4**	**2,401**	**2**	**656**	**1**	**113**	**—**	**—**
Residential real estate and other	**43**	**5,851**	**40**	**5,683**	**17**	**4,123**	**9**	**4,227**	**—**	**—**
Total loans	**64**	**$ 13,869**	**51**	**$ 8,931**	**20**	**$ 5,079**	**10**	**$ 4,340**	**—**	**$ —**

Year ended December 31, 2020	**Total [(1)(2)]**		**Extension at Below Market Terms [(2)]**		**Reduction of Interest Rate [(2)]**		**Modification to Interest-only Payments [(2)]**		**Forgiveness of Debt [(2)]**	
(In thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial										
Commercial, industrial and other	21	$ 12,362	17	$ 8,089	1	$ 991	6	$ 4,436	1	$ 432
Commercial real estate										
Non-construction	18	19,281	15	14,657	3	921	8	5,853	—	—
Residential real estate and other	85	14,229	70	13,721	38	5,809	1	190	—	—
Total loans	124	$ 45,872	102	$ 36,467	42	$ 7,721	15	$ 10,479	1	$ 432

Year ended December 31, 2019	**Total [(1)(2)]**		**Extension at Below Market Terms [(2)]**		**Reduction of Interest Rate [(2)]**		**Modification to Interest-only Payments [(2)]**		**Forgiveness of Debt [(2)]**	
(In thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial										
Commercial, industrial and other	24	$ 26,341	12	$ 6,993	2	$ 605	13	$ 20,872	—	$ —
Commercial real estate										
Non-construction	7	7,018	5	$ 6,465	—	—	3	5,493	—	—
Residential real estate and other	145	20,206	117	$ 17,258	28	5,415	1	311	—	—
Total loans	176	$ 53,565	134	$ 30,716	30	$ 6,020	17	$ 26,676	—	$ —

(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 year ended December 31, 2021, $13.9 million, or 64 loans, were determined to be TDRs, compared to $45.9 million, or 124 loans, and $53.6 million, or 176 loans, in the years ended 2020 and 2019, respectively. Of these loans extended at below market terms, the weighted average extension had a term of approximately 83 months in 2021 compared to 14 months in 2020 and 18 months in 2019. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 137 basis points, compared to 129 basis points and 218 basis points during the years ended December 31, 2021, 2020, and 2019, respectively. Interest-only payment terms were approximately three months during the year ended 2021 compared to 12 months and five months for the years ended 2020 and 2019, respectively. Additionally, no principal balances were forgiven on the loans noted above in 2021 compared to $453,000 principal balance forgiven during 2020 and no principal balance forgiven during 2019.

The tables below present a summary of all loans restructured in TDRs during the years ended December 31, 2021, 2020, and 2019, and such loans which were in payment default under the restructured terms during the respective periods:

	Year Ended December 31, 2021				Year Ended December 31, 2020				Year Ended December 31, 2019			
	Total (1)(3)		**Payments in Default (2)(3)**		Total (1)(3)		Payments in Default (2)(3)		Total (1)(3)		Payments in Default (2)(3)	
(In thousands)	**Count**	**Balance**	**Count**	**Balance**	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial												
Commercial, industrial and other	**16**	**$ 5,074**	**1**	**$ 199**	21	$ 12,362	7	$ 4,041	24	$ 26,341	12	$ 22,575
Commercial real-estate												
Non-construction	**5**	**2,944**	**3**	**2,276**	18	19,281	12	14,343	7	7,018	3	865
Residential real estate and other	**43**	**5,851**	**2**	**116**	85	14,229	8	834	145	20,206	12	5,126
Total loans	**64**	**$ 13,869**	**6**	**$ 2,591**	124	$ 45,872	27	$ 19,218	176	$ 53,565	27	$ 28,566

(1) *Total TDRs represent all loans restructured in TDRs during the year 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.*

(6) Mortgage Servicing Rights ("MSRs")

Following is a summary of the changes in the carrying value of MSRs, accounted for at fair value, for the years ended December 31, 2021, 2020 and 2019:

(Dollars in thousands)	**December 31, 2021**	December 31, 2020	December 31, 2019
Balance at beginning of year	**$ 92,081**	$ 85,638	$ 75,183
Additions from loans sold with servicing retained	**72,754**	71,077	44,943
Additions from acquisitions	**—**	—	408
Estimate of changes in fair value due to:			
Early buyout options ("EBO") exercised	**(749)**	(1,291)	—
Payoffs and paydowns	**(34,788)**	(32,579)	(20,118)
Changes in valuation inputs or assumptions	**18,273**	(30,764)	(14,778)
Fair value at end of year	**$ 147,571**	$ 92,081	$ 85,638
Unpaid principal balance of mortgage loans serviced for others	**$ 13,126,254**	$ 10,833,135	$ 8,243,251

The Company recognizes MSR assets upon the sale of residential real estate loans to external third parties when it retains the obligation to service the loans and the servicing fee is more than adequate compensation. The initial recognition of MSR assets from loans sold with servicing retained and subsequent changes in fair value of all MSRs are recognized in mortgage banking revenue. MSRs are subject to changes in value from actual and expected prepayment of the underlying loans.

The estimation of fair value related to MSRs is partly impacted by the Company exercising its EBO on eligible loans previously sold to the Government National Mortgage Association ("GNMA"). Under such optional repurchase program, financial institutions acting as servicers are allowed to buy back from the securitized loan pool individual delinquent mortgage loans meeting certain criteria for which the institution was the original transferor of such loans. At the option of the servicer and without prior authorization from GNMA, the servicer may repurchase such delinquent loans for an amount equal to the remaining principal balance of the loan. At the time of such repurchase, any MSR value related to such loans is derecognized.

Starting in 2019, the Company periodically purchased options for the right to purchase securities not currently held within the banks' investment portfolios and entered into interest rate swaps in which the Company elected to not designate such derivatives as hedging instruments. These option and swap transactions were designed primarily to economically hedge a portion of the fair value adjustments related to MSRs. During 2020, the Company terminated these interest rate swaps. There were no such options or interest rate swaps outstanding as of December 31, 2021 and 2020. For more information regarding these hedges, see Note 21 - Derivative Financial Instruments in Item 8 of this report.

The MSR asset fair value is determined by using a discounted cash flow model that incorporates the objective characteristics of the portfolio as well as subjective valuation parameters that purchasers of servicing would apply to such portfolios sold into the secondary market. The subjective factors include loan prepayment speeds, discount rates, servicing costs and other economic factors. The Company uses a third party to assist in the valuation of MSRs.

(7) Business Combinations

On November 15, 2021, the Company completed its acquisition of certain assets from The Allstate Corporation (“Allstate”). Through this business combination, the Company acquired approximately $581.6 million of loans, net of allowance for credit losses measured on the acquisition date. The loan portfolio was comprised of approximately 1,800 loans to Allstate agents nationally. In addition to acquiring the loans, the Company became the national preferred provider of loans to Allstate agents. In connection with the loan acquisition, a team of Allstate agency lending specialists joined the Company to augment and expand Wintrust’s existing insurance agency finance business. As the transaction was determined to be a business combination, the Company recorded goodwill of approximately $9.3 million on the purchase.

On November 1, 2019, the Company completed its acquisition of SBC, Incorporated (“SBC”). SBC was the parent company of Countryside Bank. Through this business combination, the Company acquired Countryside Bank’s six banking offices located in Countryside, Burbank, Darien, Homer Glen, Oak Brook and Chicago, Illinois. As of the acquisition date, the Company acquired approximately $619.8 million in assets, including approximately $423.0 million in loans, and approximately $507.8 million in deposits. The Company recorded goodwill of approximately $40.3 million related to the acquisition.

On October 7, 2019, the Company completed its acquisition of STC Bancshares Corp. (“STC”). STC was the parent company of STC Capital Bank. Through this business combination, the Company acquired STC Capital Bank’s five banking offices located in the communities of St. Charles, Geneva and South Elgin, Illinois. As of the acquisition date, the Company acquired approximately $250.1 million in assets, including approximately $174.3 million in loans, and approximately $201.2 million in deposits. The Company recorded goodwill of approximately $19.1 million related to the acquisition.

On May 24, 2019, the Company completed its acquisition of Rush-Oak Corporation (“ROC”). ROC was the parent company of Oak Bank. Through this business combination, the Company acquired Oak Bank’s one banking location in Chicago, Illinois. As of the acquisition date, the Company acquired approximately $223.4 million in assets, including approximately $124.7 million in loans, and approximately $161.2 million in deposits. The Company recorded goodwill of approximately $11.7 million related to the acquisition.

(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, 2021	Goodwill Acquired	Impairment Loss	Goodwill Adjustments	December 31, 2021
Community banking	$ 536,396	$ 9,275	$ —	$ —	**$ 545,671**
Specialty finance	39,938	—	—	167	**40,105**
Wealth management	69,373	—	—	—	**69,373**
Total	$ 645,707	$ 9,275	$ —	$ 167	**$ 655,149**

The community banking segment’s goodwill increased $9.3 million in 2021 as a result of the Allstate business combination. The specialty finance segment’s goodwill increased $167,000 in 2021 as a result of foreign currency translation adjustments related to prior Canadian acquisitions.

The Company assesses each reporting unit’s goodwill for impairment on at least an annual basis and considers potential indicators of impairment at each reporting date between annual goodwill impairment tests. At October 1, 2021, the Company utilized a quantitative approach for its annual goodwill impairment tests of the banking, specialty finance and wealth management reporting units and determined that no impairment existed at that time.

Given the continued economic uncertainty surrounding COVID-19, the Company assessed whether events and circumstances as of each reporting date in 2021 resulted in it being more likely than not that the fair value of any reporting unit was less than its carrying value. Potential impairment indicators considered include the condition of the economy and banking industry; government intervention and regulatory updates; the impact of recent events to financial performance and cost factors of the reporting units; performance of the Company’s stock and other relevant events. As of December 31, 2021, the Company identified no indicators of goodwill impairment in addition to considerations within its analysis as of October 1, 2021 within the community banking, specialty finance or wealth management reporting units and the Company determined it was more likely than not that the fair value of all reporting units exceeded the respective carrying value of such reporting unit.

A summary of intangible assets as of the dates shown and the expected amortization of finite-lived intangible assets as of December 31, 2021 is as follows:

	December 31,	
(Dollars in thousands)	**2021**	2020
Community banking segment:		
Core deposit intangibles with finite lives:		
Gross carrying amount	**$ 55,206**	$ 55,206
Accumulated amortization	**(38,067)**	(32,680)
Net carrying amount	**$ 17,139**	$ 22,526
Trademark with indefinite lives:		
Carrying amount	**5,800**	5,800
Total net carrying amount	**$ 22,939**	$ 28,326
Specialty finance segment:		
Customer list intangibles with finite lives:		
Gross carrying amount	**$ 1,967**	$ 1,966
Accumulated amortization	**(1,721)**	(1,644)
Net carrying amount	**$ 246**	$ 322
Wealth management segment:		
Customer list and other intangibles with finite lives:		
Gross carrying amount	**$ 20,430**	$ 20,430
Accumulated amortization	**(15,308)**	(13,038)
Net carrying amount	**$ 5,122**	$ 7,392
Total intangible assets:		
Gross carrying amount	**$ 83,403**	$ 83,402
Accumulated amortization	**(55,096)**	(47,362)
Total intangible assets, net	**$ 28,307**	$ 36,040

Estimated amortization for the year-ended:	
2022	**$ 6,115**
2023	**4,658**
2024	**3,259**
2025	**2,552**
2026	**1,954**

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 period of up to ten-years on a straight-line basis. Indefinite-lived intangible assets consist of certain trade and domain names recognized in connection with the Veterans First acquisition. As indefinite-lived intangible assets are not amortized, the Company assesses impairment on at least an annual basis.

Total amortization expense associated with finite-lived intangibles in 2021, 2020 and 2019 was $7.7 million, $11.0 million and $11.8 million, respectively.

(9) Premises, Software and Equipment, Net

A summary of premises and equipment at December 31, 2021 and 2020 is as follows:

	December 31,	
(Dollars in thousands)	**2021**	**2020**
Land	**$ 168,057**	$ 169,245
Buildings and leasehold improvements	**667,680**	657,529
Furniture, equipment, and computer software	**329,314**	280,600
Construction in progress	**17,742**	32,312
	$ 1,182,793	$ 1,139,686
Less: Accumulated depreciation and amortization	**416,388**	370,878
Total premises and equipment, net	**$ 766,405**	$ 768,808

Depreciation and amortization expense related to premises and equipment totaled $54.0 million in 2021, $46.4 million in 2020 and $38.0 million in 2019.

(10) Deposits

The following is a summary of deposits at December 31, 2021 and 2020:

(Dollars in thousands)	**2021**	2020
Balance:		
Non-interest bearing	**$ 14,179,980**	$ 11,748,455
NOW and interest-bearing demand deposits	**4,158,871**	3,349,021
Wealth management deposits	**4,491,795**	4,138,712
Money market	**11,449,469**	9,348,806
Savings	**3,846,681**	3,531,029
Time certificates of deposit	**3,968,789**	4,976,628
Total deposits	**$ 42,095,585**	$ 37,092,651
Mix:		
Non-interest bearing	**34 %**	32 %
NOW and interest-bearing demand deposits	**10**	9
Wealth management deposits	**11**	11
Money market	**27**	25
Savings	**9**	10
Time certificates of deposit	**9**	13
Total deposits	**100 %**	100 %

Wealth management deposits represent deposit balances of the Company's subsidiary banks from brokerage customers of Wintrust Investments, CDEC, trust and asset management customers of the Company and brokerage customers from unaffiliated companies which have been placed into deposit accounts.

The scheduled maturities of time certificates of deposit at December 31, 2021 and 2020 are as follows:

(Dollars in thousands)	**2021**	2020
Due within one year	**$ 2,810,669**	$ 3,907,724
Due in one to two years	**899,765**	853,915
Due in two to three years	**225,733**	170,052
Due in three to four years	**18,081**	28,896
Due in four to five years	**14,286**	15,233
Due after five years	**255**	808
Total time certificate of deposits	**$ 3,968,789**	$ 4,976,628

The following table sets forth the scheduled maturities of time deposits in denominations of $100,000 or more at December 31, 2021 and 2020:

(Dollars in thousands)	2021	2020
Maturing within three months	$ **576,918**	$ 584,956
After three but within six months	**450,418**	913,216
After six but within 12 months	**838,040**	1,156,401
After 12 months	**754,062**	701,993
Total	$ **2,619,438**	$ 3,356,566

Time deposits in denominations of $250,000 or more were $1.2 billion and $1.6 billion at December 31, 2021 and 2020, respectively.

(11) Federal Home Loan Bank Advances

A summary of the outstanding FHLB advances at December 31, 2021 and 2020, is as follows:

(Dollars in thousands)	2021	2020
1.88% advance due June 2021	$ **—**	$ 2,987
0.00% advance due May 2021	**—**	60,000
0.00% advance due May 2022	**75,000**	—
0.00% advance due April 2024	**442**	442
2.98% advance due August 2024	**25,000**	25,000
0.00% advance due April 2026	**629**	—
2.05% variable-rate advance due January 2028	**100,000**	100,000
2.18% advance due February 2029	**440,000**	440,000
1.36% advance due December 2029	**100,000**	100,000
1.11% advance due February 2030	**500,000**	500,000
Total FHLB advances	$ **1,241,071**	$ 1,228,429

FHLB advances consist of obligations of the banks and are collateralized by qualifying commercial and residential real estate and home equity loans and certain securities. The banks have arrangements with the FHLB whereby, based on available collateral, they could have borrowed an additional $3.5 billion at December 31, 2021.

FHLB advances are stated at par value of the debt adjusted for unamortized prepayment fees paid at the time of prior restructurings of FHLB advances and unamortized fair value adjustments recorded in connection with advances acquired through acquisitions and debt issuance costs. Unamortized prepayment fees are amortized as an adjustment to interest expense using the effective interest method.

Approximately $1.1 billion of the FHLB advances outstanding at December 31, 2021 currently have varying put or call dates over the next 12 months ranging from January 2022 to December 2022. At December 31, 2021, the weighted average contractual interest rate on FHLB advances was 1.55%.

(12) Subordinated Notes

At December 31, 2021, the Company had outstanding subordinated notes totaling $436.9 million compared to $436.5 million at December 31, 2020. In 2019, the Company issued $300.0 million of subordinated notes receiving $296.7 million in proceeds, net of underwriting discount. The notes have a stated interest rate of 4.85% and mature in June 2029. In 2014, the Company issued $140.0 million of subordinated notes receiving $139.1 million in proceeds, net of underwriting discount. The notes have a stated interest rate of 5.00% and mature in June 2024.

In connection with the issuance of subordinated notes in 2019 and 2014, the Company incurred costs totaling $3.3 million and $1.3 million, respectively. These costs are a direct deduction from the carrying amount of the subordinated notes and are amortized to interest expense using the effective interest method. At December 31, 2021, the unamortized balances of costs for both issuances were approximately $3.1 million. These subordinated notes qualify as Tier II capital under the regulatory capital requirements, subject to restrictions.

(13) Other Borrowings

The following is a summary of other borrowings at December 31, 2021 and 2020:

(Dollars in thousands)		2021		2020
Notes payable	**$**	**80,319**	$	101,710
Short-term borrowings		**9,198**		11,366
Other		**63,292**		65,108
Secured borrowings		**341,327**		340,744
Total other borrowings	**$**	**494,136**	$	518,928

Notes Payable

On September 18, 2018, the Company established a $150.0 million term facility ("Term Facility"), which is part of a loan agreement ("Credit Agreement") with unaffiliated banks. The Credit Agreement consists of the Term Facility with an original outstanding balance of $150.0 million and a $100.0 million revolving credit facility ("Revolving Credit Facility"). At December 31, 2021, the Company had a notes payable balance of $80.3 million under the Term Facility. The Term Facility is stated at par of the current outstanding balance of the debt adjusted for unamortized costs paid by the Company in relation to the debt issuance. The Company was contractually required to borrow the entire amount of the Term Facility on September 18, 2018 and all such borrowings must be repaid by September 18, 2023. The Company is required to make quarterly payments of principal plus interest on the Term Facility. At December 31, 2021, the Company had no outstanding balance under the Revolving Credit Facility. Unamortized costs paid by the Company in relation to the issuance of the Revolving Credit Facility are classified in other assets on the Consolidated Statements of Condition.

An amendment to the Credit Agreement was executed on and effective as of September 15, 2020. The amendment provided for, among other things, extension of the maturity date under the Revolving Credit Facility to September 14, 2021, revision of certain financial covenants; and the addition of a mechanism to replace LIBOR with an alternate benchmark rate. Another amendment to the Credit Agreement was executed on and effective as of September 14, 2021, which provided for, among other things, extension of the maturity date under the Revolving Credit Facility to September 13, 2022. A further amendment to the Credit Agreement was executed on and effective as of December 23, 2021, which provided for, among other things, a $50.0 million increase to the commitment balance of the Revolving Credit Facility to $100.0 million and the addition of SOFR language for the Revolving Credit Facility.

Borrowings under the Credit Agreement that are considered "Base Rate Loans" bear interest at a rate equal to the sum of (1) 60 basis points (in the case of a borrowing under the Revolving Credit Facility) or 75 basis points (in the case of a borrowing under the Term Facility) plus (2) the highest of (a) the lenders prime rate, (b) the federal funds rate plus 50 basis points, and (c) Term SOFR for a one-month tenor in effect on such day plus 110 basis points (in the case of a borrowing under the Revolving Credit Facility) or the Eurodollar Rate (as defined below) that would be applicable for an interest period of one month plus 100 basis points (in the case of a borrowing under the Term Facility). Borrowings under the agreement that are considered "Term SOFR Loans" bear interest at a rate equal to the sum of (1) 145 basis points (in the case of a borrowing under the Revolving Credit Facility) or 125 basis points if considered "Eurodollar Rate Loans" (in the case of a borrowing under the Term Facility) plus (2) the LIBOR rate for the applicable period, as adjusted for statutory reserve requirements for eurocurrency liabilities (the "Eurodollar Rate"). A commitment fee is payable quarterly equal to 0.30% of the actual daily amount by which the lenders' commitment under the Revolving Credit Facility exceeded the amount outstanding under such facility.

Borrowings under the amended Credit Agreement are secured by pledges of and first priority perfected security interests in the Company's equity interest in its bank subsidiaries 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 December 31, 2021, the Company was in compliance with all such covenants. The Revolving Credit Facility and the Term Facility are 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.

Short-term Borrowings

Short-term borrowings include securities sold under repurchase agreements and federal funds purchased. These borrowings totaled $9.2 million and $11.4 million at December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, securities sold under repurchase agreements represent $9.2 million and $11.4 million, respectively, of customer sweep accounts in connection with master repurchase agreements at the banks. 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 December 31, 2021, the Company had pledged securities related to its customer balances in sweep accounts of $19.2 million. 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 agencies and mortgage-backed securities. These securities are included in the available-for-sale portfolio as reflected on the Company's Consolidated Statements of Condition.

The following is a summary of these securities pledged as of December 31, 2021 disaggregated by investment category and maturity, and reconciled to the outstanding balance of securities sold under repurchase agreements:

(Dollars in thousands)	**Overnight Sweep Collateral**
Available-for-sale securities pledged	
U.S. Government agencies	**$ 10,585**
Mortgage-backed securities	**8,613**
Total collateral pledged	**$ 19,198**
Excess collateral	**10,000**
Securities sold under repurchase agreements	**$ 9,198**

Other Borrowings

Other borrowings at December 31, 2021 and 2020 represent a fixed-rate promissory note issued by the Company in June 2017 and amended in March 2020 ("Fixed-Rate Promissory Note") related to and secured by three office buildings owned by the Company. At December 31, 2021, the Fixed-Rate Promissory Note had a balance of $63.3 million. Under the Fixed-Rate Promissory Note, during the three months ended March 31, 2020 and twelve months ended December 31, 2019, the Company made monthly principal payments and paid interest at a fixed rate of 3.36%. An amendment to the Fixed-Rate Promissory Note was executed on and became effective as of March 31, 2020. The amendment increased the principal amount to $66.4 million, reduced the interest rate to 3.00% and extended the maturity date to March 31, 2025. The Fixed-Rate Promissory Note contains 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 December 31, 2021, the Company was in compliance with all such covenants.

Secured Borrowings

Secured borrowings at December 31, 2021 primarily represent transactions to sell an undivided co-ownership interest in all receivables owed to the Company's subsidiary, FIFC Canada. In December 2014, FIFC Canada sold such interest to an unrelated third party in exchange for a cash payment of approximately C$150 million pursuant to a receivables purchase agreement ("Receivables Purchase Agreement"). The Receivables Purchase Agreement was amended in December 2015, extending the maturity date from December 15, 2015 to December 15, 2017. Additionally, at that time, the unrelated third party paid an additional C$10 million, which increased the total payments to C$160 million. The Receivables Purchase Agreement was again amended in December 2017, extending the maturity date from December 15, 2017 to December 16, 2019. Additionally, at that time, the unrelated third party paid an additional C$10 million, which increased the total payments to C$170 million. In June 2018, the unrelated third party paid an additional C$20 million, which increased the total payments to C$190 million. The Receivables Purchase Agreement was again amended in February 2019, effectively extending the maturity date from December 16, 2019 to December 15, 2020. Additionally, in February 2019, the unrelated third party paid an additional C$20 million, which increased the total payments to C$210 million. In May 2019, the unrelated third party paid an additional C$70 million, which increased the total payments to C$280 million. In January 2020, the unrelated third party paid an additional C$40 million, which increased the total payments to C$320 million, and the Receivables Purchase Agreement was amended to effectively extend the maturity date from December 15, 2020 to December 15, 2021. In May 2020, the unrelated third party paid an additional C$100 million, which increased the total payments to C$420 million. In January 2021, the Receivables Purchase Agreement was amended to effectively extend the maturity date from December 15, 2021 to December 15, 2022. These transactions were not considered sales of receivables and, as such, related proceeds received are reflected on the Company's Consolidated Statements of Condition as a secured borrowing owed to the unrelated third party, net of unamortized debt issuance costs, and translated to the Company's reporting currency as of the respective date. At December 31, 2021, the translated balance of the secured borrowing totaled $332.2 million compared to $329.9 million at December 31, 2020. Additionally, the interest rate under the Receivables Purchase Agreement at December 31, 2021 was 1.1721%.

The remaining $9.1 million within secured borrowings at December 31, 2021 represents other sold interests in certain loans by the Company that were not considered sales and, as such, related proceeds received are reflected on the Company's Consolidated Statements of Condition as a secured borrowing owed to the various unrelated third parties.

(14) Junior Subordinated Debentures

As of December 31, 2021, the Company owned 100% of the common securities of eleven 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, First Northwest Capital Trust I, Suburban Illinois Capital Trust II, and Community Financial Shares Statutory Trust II (the "Trusts") set up to provide long-term financing. The Northview, Town, First Northwest, Suburban and Community Financial Shares capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., First Northwest Bancorp, Inc., Suburban Illinois Bancorp, Inc. and Community Financial Shares, 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 liabilities and the common securities of the Trusts, all of which are owned by the Company, are included in investment securities.

The following table provides a summary of the Company's junior subordinated debentures as of December 31, 2021 and 2020. 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** **2021**	Junior Subordinated Debentures 2020	Rate Structure	Contractual rate at 12/31/2021	Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 774	$ 25,000	**$ 25,774**	$ 25,774	L+3.25	3.37 %	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	**20,619**	20,619	L+2.80	3.02	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	**41,238**	41,238	L+2.60	2.82	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	**51,550**	51,550	L+1.95	2.15	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	25,000	**26,238**	26,238	L+1.45	1.67	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	1,547	50,000	**51,547**	51,547	L+1.63	1.83	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	**6,186**	6,186	L+3.00	3.13	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	**6,186**	6,186	L+3.00	3.13	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	**5,155**	5,155	L+3.00	3.22	05/2004	05/2034	05/2009
Suburban Illinois Capital Trust II	464	15,000	**15,464**	15,464	L+1.75	1.95	12/2006	12/2036	12/2011
Community Financial Shares Statutory Trust II	109	3,500	**3,609**	3,609	L+1.62	1.82	06/2007	09/2037	06/2012
Total			**$ 253,566**	$ 253,566		2.39 %			

The junior subordinated debentures totaled $253.6 million at December 31, 2021 and 2020.

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 December 31, 2021, the weighted average contractual interest rate on the junior subordinated debentures was 2.39%. Prior to 2021, the Company entered into interest rate swaps with an aggregate notional value of $210.0 million to hedge the variable cash flows on certain junior subordinated debentures. Such interest rate swaps matured in 2021 and no separate hedging derivatives were outstanding at December 31, 2021 related to the variable cash flows on any balance of the junior subordinated debentures. 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 Bank ("FRB") approval, if then required under applicable guidelines or regulations.

At December 31, 2021, the Company included $245.5 million of the junior subordinated debentures, net of common securities, in Tier 2 regulatory capital.

(15) Revenue from Contracts with Customers

Disaggregation of Revenue

The following table presents revenue from contracts with customers, disaggregated by the revenue source:

(Dollars in thousands)		Years Ended		
Revenue from contracts with customers	**Location in income statement**	**December 31, 2021**	December 31, 2020	December 31, 2019
Brokerage and insurance product commissions	Wealth management	**$ 20,710**	$ 18,731	$ 18,825
Trust	Wealth management	**21,930**	18,392	18,767
Asset management	Wealth management	**81,379**	63,213	59,522
Total wealth management		**124,019**	100,336	97,114
Mortgage broker fees	Mortgage banking	**787**	368	768
Service charges on deposit accounts	Service charges on deposit accounts	**54,168**	45,023	39,070
Administrative services	Other non-interest income	**5,689**	4,385	4,197
Card related fees	Other non-interest income	**9,210**	7,579	7,816
Other deposit related fees	Other non-interest income	**13,299**	12,439	12,500
Total revenue from contracts with customers		**$ 207,172**	$ 170,130	$ 161,465

Wealth Management Revenue

Wealth management revenue is comprised of brokerage and insurance product commissions, managed money fees and trust and asset management revenue of the Company's four wealth management subsidiaries: Wintrust Investments, Great Lakes Advisors, CTC and CDEC. All wealth management revenue is recognized in the wealth management segment.

Brokerage and insurance product commissions consists primarily of commissions earned from trade execution services on behalf of customers and from selling mutual funds, insurance and other investment products to customers. For trade execution services, the Company recognizes commissions and receives payment from the brokerage customers at the point of transaction execution. Commissions received from the investment or insurance product providers are recognized at the point of sale of the product. The Company also receives trail and other commissions from providers for certain plans. These are generally based on qualifying account values and are recognized once the performance obligation, specific to each provider, is satisfied on a monthly, quarterly or annual basis.

Trust revenue is earned primarily from trust and custody services that are generally performed over time as well as fees earned on funds held during the facilitation of tax-deferred like-kind exchange transactions. Revenue is determined periodically based on a schedule of fees applied to the value of each customer account using a time-elapsed method to measure progress toward complete satisfaction of the performance obligation. Fees are typically billed on a calendar month or quarter basis in advance or in arrears depending upon the contract. Upfront fees received related to the facilitation of tax-deferred like-kind exchange transactions are deferred until the transaction is completed. Additional fees earned for certain extraordinary services performed on behalf of the customers are recognized when the service has been performed.

Asset management revenue is earned from money management and advisory services that are performed over time. Revenue is based primarily on the market value of assets under management or administration using a time-elapsed method to measure progress toward complete satisfaction of the performance obligation. Fees are typically billed on a calendar month or quarter basis in advance or in arrears depending upon the contract. Certain programs provide the customer with an option of paying fees as a percentage of the account value or incurring commission charges for each trade similar to brokerage and insurance product commissions. Trade commissions and any other fees received for additional services are recognized at a point in time once the performance obligation is satisfied.

Mortgage Broker Fees

For customers desiring a mortgage product not currently offered by the Company, the Company may refer such customers and, with permission, direct such customers' applications to certain third party mortgage brokers. Mortgage broker fees are received from these brokers for such customer referrals upon settlement of the underlying mortgage. The Company's entitlement to the consideration is contingent on the settlement of the mortgage which is highly susceptible to factors outside of the Company's influence, such as the third party broker's underwriting requirements. Also, the uncertainty surrounding the consideration could be resolved in varying lengths of time, dependent upon the third party brokers. Therefore, mortgage broker fees are recognized at the settlement of the underlying mortgage when the consideration is received. Broker fees are recognized in the community banking segment.

Service Charges on Deposit Accounts

Service charges on deposit accounts include fees charged to deposit customers for various services, including account analysis services, and are based on factors such as the size and type of customer, type of product and number of transactions. The fees are based on a standard schedule of fees and, depending on the nature of the service performed, the service is performed at a point in time or over a period of a month. When the service is performed at a point in time, the Company recognizes and receives revenue when the service has been performed. When the service is performed over a period of a month, the Company recognizes and receives revenue in the month the service has been performed. Service charges on deposit accounts are recognized in the community banking segment.

Administrative Services

Administrative services revenue is earned from providing outsourced administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients located throughout the United States. Fees are charged periodically (typically a payroll cycle) and computed in accordance with the contractually determined rate applied to the total gross billings administered for the period. The revenue is recognized over the period using a time-elapsed method to measure progress toward complete satisfaction of the performance obligation. Other fees are charged on a per occurrence basis as the service is provided in the billing cycle. The Company has certain contracts with customers to perform outsourced administrative services and short-term accounts receivable financing. For these contracts, the total fee is allocated between the administrative services revenue and interest income during the client onboarding process based on the specific client and services provided. Administrative services revenue is recognized in the specialty finance segment.

Card and Deposit Related Fees

Card related fees include interchange and merchant revenue, and fees related to debit and credit cards. Interchange revenue is related to the Company issued debit cards. Other deposit related fees primarily include pay by phone processing fees, ATM and safe deposit box fees, check order charges and foreign currency related fees. Card and deposit related fees are generally based on volume of transactions and are recognized at the point in time when the service has been performed. For any consideration that is constrained, the revenue is recognized once the uncertainty is known. Upfront fees received from certain contracts are recognized on a straight line basis over the term of the contract. Card and deposit related fees are recognized in the community banking segment.

Contract Balances

The following table provides information about contract assets, contract liabilities and receivables from contracts with customers:

(Dollars in thousands)	**December 31, 2021**	December 31, 2020
Contract assets	**$ —**	$ —
Contract liabilities	**$ 1,588**	$ 1,548
Mortgage broker fees receivable	**$ 73**	$ 20
Administrative services receivable	**68**	64
Wealth management receivable	**11,748**	10,144
Card related fees receivable	**921**	783
Total receivables from contracts with customer	**$ 12,810**	$ 11,011

Contract liabilities represent upfront fees that the Company received at inception of certain contracts. The revenue recognized that was included in the contract liability balance at beginning of the period totaled $898,000 and $1.4 million for the years ended December 31, 2021 and 2020 respectively. Receivables are recognized in the period the Company provides services when the Company's right to consideration is unconditional. Card related fee receivable is the result of volume based fee that the Company receives from a customer on an annual basis in the second quarter of each year. Payment terms on other invoiced amounts are typically 30 days or less. Contract liabilities and receivables from contracts with customers are included within the accrued interest payable and other liabilities and accrued interest receivable and other assets line items, respectively, in the Consolidated Statements of Condition.

Transaction price allocated to the remaining performance obligations

For contracts with an original expected length of more than one year, the following table presents the estimated future timing of recognition of upfront fees related to card and deposit related fees. These upfront fees represent performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

(Dollars in thousands)	
Estimated—2022	**$ 838**
Estimated—2023	**400**
Estimated—2024	**250**
Estimated—2025	**100**
Total	**$ 1,588**

Practical Expedients and Exemptions

The Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a promised service to a customer and when the customer pays for that services is one year or less.

The Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(16) Lease Commitments

The following tables provide a summary of lease costs and future required fixed payments related to the Company's leasing arrangements in which it is the lessee:

(Dollars in thousands)	Year Ended December 31, 2021
Operating lease cost	$ 22,938
Finance lease cost:	
Amortization of right-of-use asset	164
Interest on lease liability	234
Short-term lease cost	321
Variable lease cost	3,806
Sublease income	(72)
Total lease cost	$ 27,391
Cash paid for amounts included in the measurement of operating lease liabilities	$ 23,650
Cash paid for amounts included in the measurement of finance lease liabilities	164
Right-of-use asset obtained in exchange for new operating lease liabilities	8,262
Right-of-use asset obtained in exchange for new finance lease liabilities	5,343
Weighted average remaining lease term - operating leases	12.1 years
Weighted average remaining lease term - finance leases	39.0 years
Weighted average discount rate - operating leases	4.03 %
Weighted average discount rate - finance leases	3.43 %

(In thousands)	Payments
2022	$ 24,582
2023	21,625
2024	20,461
2025	19,203
2026	17,820
2027 and thereafter	132,417
Total minimum future amounts	$ 236,108
Impact of measuring the lease liability on a discounted basis	(58,069)
Total lease liability	$ 178,039

In addition to the lessee arrangements discussed above, the Company also leases certain owned premises and receives rental income from such lessor agreements. Gross rental income related to the Company's buildings totaled $7.8 million, $8.7 million and $9.4 million, in 2021, 2020 and 2019, respectively. The approximate annual gross rental receipts under noncancelable agreements with remaining terms in excess of one year as of December 31, 2021, are as follows (in thousands):

		Receipts
2022	**$**	**5,452**
2023		**3,178**
2024		**1,957**
2025		**1,390**
2026		**986**
2027 and thereafter		**511**
Total minimum future amounts	**$**	**13,474**

(17) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2021, 2020 and 2019 is summarized as follows:

	Years Ended December 31,					
(Dollars in thousands)		**2021**		2020		2019
Current income taxes:						
Federal	**$**	**118,723**	$	75,154	$	55,664
State		**48,847**		19,194		18,270
Foreign		**6,936**		6,501		5,913
Total current income taxes	**$**	**174,506**	$	100,849	$	79,847
Deferred income taxes:						
Federal	**$**	**794**	$	284	$	33,345
State		**(3,597)**		(2,834)		13,099
Foreign		**(58)**		(1,508)		(1,887)
Total deferred income taxes	**$**	**(2,861)**	$	(4,058)	$	44,557
Total income tax expense	**$**	**171,645**	$	96,791	$	124,404

The Company's income before income taxes in 2021, 2020 and 2019 includes $23.1 million, $15.4 million and $12.2 million, respectively, of foreign income attributable to its Canadian subsidiary.

The tax effects of certain transactions are recorded directly to shareholders' equity rather than income tax expense. The tax effect of fair value adjustments on securities available-for-sale and derivative instruments in cash flow hedges are recorded directly to shareholders' equity as part of other comprehensive income (loss) and are reflected on the Consolidated Statements of Comprehensive Income. The tax effect of unrealized gains and losses on certain foreign currency transactions is also recorded in shareholders' equity as part of other comprehensive income (loss).

A reconciliation of the differences between taxes computed using the statutory Federal income tax rate and actual income tax expense is as follows:

	Years Ended December 31,		
(Dollars in thousands)	**2021**	2020	2019
Income tax expense using the statutory Federal income tax rate of 21% on income before taxes	**$ 133,937**	$ 81,854	$ 100,821
Increase (decrease) in tax resulting from:			
Tax-exempt interest, net of interest expense disallowance	**(2,605)**	(2,970)	(3,958)
State taxes, net of federal tax benefit	**35,747**	20,098	24,600
Income earned on bank owned life insurance	**(1,169)**	(956)	(959)
(Excess) deficient tax benefits on share based compensation	**(1,906)**	466	(1,447)
Meals, entertainment and related expenses	**1,208**	992	2,148
FDIC insurance expense	**5,676**	4,605	1,274
Non-deductible compensation expense	**1,799**	398	1,019
Foreign subsidiary, net	**2,011**	2,080	1,979
Tax benefits related to tax credits, net	**(1,145)**	(1,902)	(513)
Release of state uncertain tax positions	**—**	(7,173)	—
Other, net	**(1,908)**	(701)	(560)
Income tax expense	**$ 171,645**	$ 96,791	$ 124,404

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2021 and 2020 are as follows:

(Dollars in thousands)	**2021**	2020
Deferred tax assets:		
Allowance for credit losses	**$ 79,879**	$ 101,021
Right-of-use liability	**47,312**	47,895
Deferred compensation	**26,301**	23,975
Stock-based compensation	**5,762**	3,363
Federal net operating loss carryforward	**1,870**	2,722
Loans	**1,344**	1,196
Nonaccrued interest	**1,098**	1,949
Net unrealized losses on derivatives included in other comprehensive income	**—**	8,404
Deferred loan fees and costs	**—**	3,821
Other	**4,652**	7,013
Total gross deferred tax assets	**168,218**	201,359
Deferred tax liabilities:		
Equipment leasing	**122,711**	146,393
Premises and equipment	**56,377**	62,278
Right-of-use asset	**38,973**	39,568
Capitalized servicing rights	**37,528**	22,367
Goodwill and intangible assets	**10,577**	8,227
Net unrealized gains on derivatives included in other comprehensive income	**9,836**	—
Net unrealized gains on securities included in other comprehensive income	**3,169**	25,700
Deferred loan fees and costs	**967**	—
Fair value adjustments on loans	**—**	12,042
Other	**3,835**	7,599
Total gross deferred tax liabilities	**283,973**	324,174
Net deferred tax liabilities	**$ (115,755)**	$ (122,815)

Management has determined that a valuation allowance is not required for the deferred tax assets at December 31, 2021 because it is more likely than not that these assets could be realized through future reversals of existing taxable temporary differences, tax planning strategies and future taxable income. This conclusion is based on the Company's historical earnings, its current level of earnings and prospects for continued growth and profitability.

The Company has Federal net operating loss ("NOL") carryforwards of $8.9 million that begin to expire in 2029 through 2037 and are subject to IRC Section 382 annual limitation. The NOL carryforwards were a result of acquisitions.

The Company accounts for uncertainties in income taxes in accordance with ASC 740, Income Taxes. The following table provides a reconciliation of the beginning and ending amounts of gross unrecognized tax benefits:

	Years Ended December 31,		
(Dollars in thousands)	**2021**	2020	2019
Unrecognized tax benefits at beginning of year	**$** —	$ 10,840	$ 11,538
Gross increases for tax positions taken in current period	—	—	—
Gross decreases for positions taken in prior periods	—	(10,571)	(698)
Settlements with taxing authorities	—	(269)	—
Unrecognized tax benefits at end of year	**$** —	$ —	$ 10,840

At December 31, 2021 and December 31, 2020, the Company had no unrecognized tax benefits related to uncertain tax positions that, if recognized, would impact the effective tax rate. Interest and penalties on unrecognized tax positions are recorded in income tax expense. Interest and penalties are included in the liability for uncertain tax positions, but are not included in the unrecognized tax benefits rollforward presented above. The Company does not expect the total amount of unrecognized tax benefits to significantly increase in the next 12 months.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax in numerous state jurisdictions and in Canada. In the ordinary course of business, we are routinely subject to audit by the taxing authorities of these jurisdictions. Currently, the Company's U.S. federal income tax returns are open and subject to audit for the 2018 tax return year forward, and in general, the Company's state income tax returns are open and subject to audit from the 2018 tax return year forward, subject to individual state statutes of limitation. The Company has extended the statute of limitations on certain state income tax returns for the 2015, 2016 and 2017 years due to an ongoing audit. The Company's Canadian subsidiary's Canadian income tax returns are also subject to audit for the 2018 tax return year forward.

(18) Stock Compensation Plans and Other Employee Benefit Plans

Stock Incentive Plan

In May 2015, the Company's shareholders approved the 2015 Stock Incentive Plan ("the 2015 Plan") which provides for the issuance of up to 5,485,000 shares of common stock. The 2015 Plan replaced the 2007 Stock Incentive Plan ("the 2007 Plan"), which replaced the 1997 Stock Incentive Plan ("the 1997 Plan"). The 2015 Plan, the 2007 Plan and the 1997 Plan are collectively referred to as "the Plans." The 2015 Plan has substantially similar terms to the 2007 Plan and the 1997 Plan. Awards granted under the Plans for which common shares are not issued by reason of cancellation, forfeiture, lapse of such award or settlement of such award in cash, are again available under the 2015 Plan. All grants made after the approval of the 2015 Plan have been made pursuant to the 2015 Plan. As of December 31, 2021, approximately 963,000 shares were available for future grants assuming the maximum number of shares are issued for the performance awards outstanding. 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 Plans permit the grant of incentive stock options, non-qualified stock options, stock appreciation rights, stock awards, restricted share or unit awards, performance awards and other incentive awards valued in whole or in part by reference to the Company's common stock, all on a stand-alone, combination or tandem basis. The Company historically awarded stock-based compensation in the form of time-vested non-qualified stock options and time-vested restricted share unit awards ("restricted shares"). The grants of options provide for the purchase of shares of the Company's common stock at the fair market value of the stock on the date the options are granted. Stock options generally vest ratably over periods of three to five years and have a maximum term of seven years from the date of grant. 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 Plans. The LTIP is designed in part to align the interests of management with interests of shareholders, foster retention, create a long-term focus based on sustainable results and provide participants a target long-term incentive opportunity. LTIP grants in 2021 consisted of a combination of performance-based stock awards with a performance condition metric, performance-based stock awards with a market condition metric and time-vested restricted shares, and in 2020 consisted of a combination of performance-based stock awards and performance-based cash awards (both with a performance condition metric) and time vested restricted shares. LTIP grants from 2017 through 2019 consisted of a combination of performance-based stock awards and performance-based cash awards, and prior to 2017, nonqualified stock options were in the mix of award types. It is anticipated that LTIP awards will continue to be granted annually. Performance-based stock and cash awards are contingent upon the achievement of pre-established long-term performance goals set in advance by the Compensation Committee over a three-year period starting at the beginning of each calendar year. Performance-based stock awards with a market condition metric are contingent on the total shareholder return performance over a three-year period relative to the KBW Regional Bank Index. 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 150% of the target award. The awards typically 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 receive, at no cost, the shares earned based on the achievement of the pre-established long-term goals.

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 and shares are issued. Shares that are vested but are not issuable pursuant to deferred compensation arrangements accrue additional shares based on the value of dividends otherwise paid. 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 value of restricted share and performance-based stock awards with a performance metric is determined based on the average of the high and low trading prices on the grant date. The fair value of performance stock awards with a market condition metric is estimated using a Monte Carlo simulation model and the fair value of stock options is estimated using a Black-Scholes option-pricing model. The Monte Carlo simulation model and the Black-Scholes option-pricing model require the input of highly subjective assumptions and are sensitive to changes in the award's expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate of such awards on the grant date. No options have been granted since 2016.

Stock-based compensation is recognized based on the number of awards that are ultimately expected to vest, taking into account expected forfeitures. In addition, for performance-based awards with a performance metric, an estimate is made of the number of shares expected to vest as a result of actual performance against the performance criteria in the award to determine the amount of compensation expense to recognize. The estimate is re-evaluated quarterly 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 $16.2 million, $(4.9) million and $11.3 million and the related tax benefits (expense) were $3.7 million, $(914,000) and $2.6 million in 2021, 2020 and 2019, respectively.

A summary of the Plans' stock option activity for the years ended December 31, 2021, 2020 and 2019 is as follows:

Stock Options	Common Shares		Weighted Average Strike Price	Remaining Contractual Term[(1)]		Intrinsic Value[(2)] ($000)
Outstanding at January 1, 2019	795,014	$	42.25			
Granted	—		—			
Options outstanding in acquired plans	106,748		38.83			
Exercised	(146,430)		38.84			
Forfeited or canceled	—		—			
Outstanding at December 31, 2019	755,332	$	42.43	2.8	$	21,503
Exercisable at December 31, 2019	735,396	$	42.42	2.7	$	20,947
Outstanding at January 1, 2020	755,332	$	42.43			
Granted	—		—			
Exercised	(229,061)		42.29			
Forfeited or canceled	(5,608)		44.34			
Outstanding at December 31, 2020	520,663	$	42.47	1.9	$	9,694
Exercisable at December 31,2020	512,762	$	42.46	1.8	$	9,555
Outstanding at January 1, 2021	**520,663**	**$**	**42.47**			
Granted	**—**		**—**			
Exercised	**(326,626)**		**42.97**			
Forfeited or canceled	**(590)**		**46.86**			
Outstanding at December 31, 2021	**193,447**	**$**	**41.62**	**1.4**	**$**	**9,518**
Exercisable at December 31, 2021	**191,898**	**$**	**41.57**	**1.3**	**$**	**9,451**
Vested or expected to vest at December 31, 2021	**193,447**	**$**	**41.62**	**1.4**	**$**	**9,518**

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

(2) *Aggregate intrinsic value represents the total pretax intrinsic value (i.e., the difference between the Company's stock price at year end 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 year. Options with exercise prices above the year end stock price are excluded from the calculation of intrinsic value. The intrinsic value will change based on the fair market value of the Company's stock.*

The aggregate intrinsic value of options exercised during the years ended December 31, 2021, 2020 and 2019, was $11.7 million, $4.1 million and $4.7 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $3.1 million, $1.1 million and $1.3 million for 2021, 2020 and 2019, respectively. Cash received from option exercises under the Plans for the years ended December 31, 2021, 2020 and 2019 was $14.0 million, $9.7 million and $5.7 million, respectively.

A summary of the Plans' restricted share activity for the years ended December 31, 2021, 2020 and 2019 is as follows:

	2021		2020		2019	
Restricted Shares	**Common Shares**	**Weighted Average Grant-Date Fair Value**	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	**234,794**	**$ 59.02**	144,328	$ 60.37	143,263	$ 60.80
Granted	**276,311**	**63.96**	117,571	60.85	24,285	68.58
Vested and issued	**(19,673)**	**68.92**	(20,441)	74.42	(21,529)	70.99
Forfeited or canceled	**(14,619)**	**63.66**	(6,664)	73.54	(1,691)	79.50
Outstanding at end of year	**476,813**	**$ 61.33**	234,794	$ 59.02	144,328	$ 60.37
Vested, but not issuable at end of year	**95,465**	**$ 52.52**	93,969	$ 52.11	92,183	$ 52.24

A summary of the Plans' performance-based stock award activity, based on the target level of the awards, for the years ended December 31, 2021, 2020 and 2019 is as follows:

	2021		2020		2019	
Performance Shares	**Common Shares**	**Weighted Average Grant-Date Fair Value**	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
Outstanding at January 1	**482,608**	**$ 71.15**	465,515	$ 74.37	396,855	$ 67.71
Granted	**208,851**	**58.99**	170,032	63.61	175,823	71.56
Added by performance factor at vesting	**—**	**—**	48,831	72.59	33,950	40.99
Vested and issued	**—**	**—**	(180,789)	72.59	(128,238)	41.00
Forfeited or canceled	**(134,204)**	**86.30**	(20,981)	72.46	(12,875)	75.08
Outstanding at end of year	**557,255**	**$ 62.94**	482,608	$ 71.15	465,515	$ 74.37
Vested, but deferred at year end	**35,160**	**$ 43.69**	34,609	$ 43.14	33,828	$ 43.01

At December 31, 2021, the maximum number of performance-based shares that could be issued on outstanding awards if performance is attained at the maximum amount was approximately 818,000 shares.

The actual tax benefit realized upon the vesting and issuance of restricted shares and performance-based stock is based on the fair value of the shares on the issue date and the estimated tax benefit of the awards is based on fair value of the awards on the grant date. The actual tax benefit realized upon the vesting and issuance of restricted shares and performance-based stock in 2021 was $40,000 more than the expected tax benefit for those shares; in 2020 the actual tax benefit was $848,000 less than the expected tax benefit for those shares and in 2019 the actual tax benefit was $870,000 more than the expected tax benefit for those shares. These differences in actual and expected tax benefits were recorded to income tax expense.

As of December 31, 2021, there was $26.1 million of total unrecognized compensation cost related to non-vested share based arrangements under the Plans. That cost is expected to be recognized over a weighted average period of approximately two years. The total fair value of shares vested during the years ended December 31, 2021, 2020 and 2019 was $1.5 million, $14.7 million and $9.8 million, respectively.

The Company issues new shares to satisfy its obligation to issue shares granted pursuant to the Plans.

Cash Incentive and Retention Plan

The Cash Incentive and Retention Plan ("CIRP") allows the Company to provide cash compensation to the Company's and its subsidiaries' officers and employees. The CIRP is administered by the Compensation Committee of the Board of Directors. The CIRP generally provides for the grants of cash awards, which may be earned pursuant to the achievement of performance criteria established by the Compensation Committee and/or continued employment. The performance criteria, if any, established by the Compensation Committee must relate to one or more of the criteria specified in the CIRP, which includes: earnings, earnings growth, revenues, stock price, return on assets, return on equity, improvement of financial ratings, achievement of balance sheet or income statement objectives and expenses. These criteria may relate to the Company, a particular line of business or a specific subsidiary of the Company. The Company had no expense related to the CIRP in 2021, 2020 and 2019, and no awards were paid in those years. There were no outstanding awards under this plan at December 31, 2021.

Other Employee Benefits

Wintrust and its subsidiaries also provide 401(k) Retirement Savings Plans (“401(k) Plans”). The 401(k) Plans cover all employees meeting certain eligibility requirements. Contributions by employees are made through salary deferrals at their direction, subject to certain Plan and statutory limitations. Employer contributions to the 401(k) Plans are made at the employer’s discretion. Eligible participants that have contributed to the 401(k) Plans are eligible to share in an allocation of employer contributions. The Company’s expense for the employer contributions to the 401(k) Plans was approximately $15.6 million in 2021, $13.8 million in 2020, and $12.3 million in 2019.

The Wintrust Financial Corporation Employee Stock Purchase Plan (“ESPP”) is designed to encourage greater stock ownership among employees, thereby enhancing employee commitment to the Company. The ESPP gives eligible employees the right to accumulate funds over an offering period to purchase shares of common stock. All shares offered under the ESPP will be either newly issued shares of the Company or shares issued from treasury, if any. In accordance with the ESPP, beginning January 1, 2015, the purchase price of the shares of common stock is equal to 95% of the closing price of the Company’s common stock on the last day of the offering period. During 2021, 2020 and 2019, 44,021, 75,763 and 43,386, shares of common stock, respectively, were purchased by participants and no compensation expense was recorded. The Company plans to continue to offer common stock through this ESPP on an ongoing basis and, in 2021, increased the shares authorized under the ESPP by 200,000 shares. At December 31, 2021, the Company had an obligation to issue 9,757 shares of common stock to participants and had 252,893 shares available for future grants under the ESPP.

As a result of the Company’s acquisition of HPK Financial Corporation (“HPK”) in December 2012, the Company assumed the obligations of a noncontributory pension plan. The HPK Plan was frozen as of December 31, 2006, with no additional credit earned for service or compensation paid after that date. Similarly, in connection with the Company’s acquisition of Diamond Bancorp, Inc. (“Diamond”) in October 2013, the Company assumed the obligation of Diamond’s pension plan. The Diamond Plan was frozen as of December 31, 2004, and only service and compensation prior to this date is considered in determining benefits. In 2019, both of these plans were terminated and participant account balances were distributed. The Company recorded no expense related to these plans in 2021 and 2020, and $487,000 of expense in 2019.

The Company does not currently offer other postretirement benefits such as health care or other pension plans.

Directors Deferred Fee and Stock Plan

The Wintrust Financial Corporation Directors Deferred Fee and Stock Plan (“DDFS Plan”) allows directors of the Company and its subsidiaries to choose to receive payment of directors’ fees in either cash or common stock of the Company and to defer the receipt of the fees. The DDFS Plan is designed to encourage stock ownership by directors. All shares offered under the DDFS Plan will be either newly issued shares of the Company or shares issued from treasury. The number of shares issued is determined on a quarterly basis based on the fees earned during the quarter and the fair market value per share of the common stock on the last trading day of the preceding quarter. The shares are issued annually and the directors are entitled to dividends and voting rights upon the issuance of the shares. During 2020, an additional 200,000 shares were authorized under the DDFS Plan. During 2021, 2020 and 2019, a total of 23,909 shares, 19,928 shares and 18,577 shares, respectively, were issued to directors. For those directors that elect to defer the receipt of the common stock, the Company maintains records of stock units representing an obligation to issue shares of common stock. The number of stock units equals the number of shares that would have been issued had the director not elected to defer receipt of the shares. Additional stock units are credited at the time dividends are paid, however no voting rights are associated with the stock units. The shares of common stock represented by the stock units are issued in the year specified by the directors in their participation agreements. At December 31, 2021, the Company has an obligation to issue 341,632 shares of common stock to directors and has 152,070 shares available for future grants under the DDFS Plan.

(19) Regulatory Matters

Banking laws place restrictions upon the amount of dividends that can be paid to Wintrust by the banks. Based on these laws, the banks could, subject to minimum capital requirements, declare dividends to Wintrust without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. During 2021, 2020 and 2019, cash dividends totaling $145.0 million, $253.0 million and $139.0 million, respectively, were paid to Wintrust by the banks and other subsidiaries. As of December 31, 2021, the banks had approximately $431.9 million available to be paid as dividends to Wintrust without prior regulatory approval and without reducing their capital below the well-capitalized level.

The banks are also required by the Federal Reserve Act to maintain reserves against deposits. Reserves are held either in the form of vault cash or balances maintained with the FRB and are based on the average daily deposit balances and statutory reserve ratios prescribed by the type of deposit account. In March 2020, the FRB adopted a rule to amend its reserve regulation which included lowering the reserve requirement to zero percent. As a result, at December 31, 2021 and 2020, there was no reserve balance required to be maintained at the FRB.

The Company and the banks are subject to various regulatory capital requirements established by the federal banking agencies that take into account risk attributable to balance sheet and off-balance sheet activities. Failure to meet minimum capital requirements can initiate certain mandatory — and possibly discretionary — actions by regulators, that if undertaken could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the banks must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the banks to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier 1 leverage capital (as defined) to average quarterly assets (as defined). The Federal Reserve's capital guidelines require bank holding companies to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.50% must be in the form of Common Equity Tier 1 capital and 6.0% must be in the form of Tier 1 capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 capital to average total assets of 4.0%. In addition, the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities.

As reflected in the following table, the Company met all minimum capital requirements at December 31, 2021 and 2020:

	2021	2020
Total capital to risk weighted assets	**11.6 %**	12.6 %
Tier 1 capital to risk weighted assets	**9.6**	10.0
Common Equity Tier 1 capital to risk weighted assets	**8.6**	8.8
Tier 1 Leverage Ratio	**8.0**	8.1

Wintrust is designated as a financial holding company. Bank holding companies approved as financial holding companies may engage in an expanded range of activities, including the businesses conducted by its wealth management subsidiaries. As a financial holding company, Wintrust's banks are required to maintain their capital positions at the "well-capitalized" level. As of December 31, 2021, the banks were categorized as well capitalized under the regulatory framework for prompt corrective action. The ratios required for the banks to be "well capitalized" by regulatory definition are 10.0%, 8.0%, 6.5% and 5.0% for total capital to risk-weighted assets, Tier 1 capital to risk-weighted assets, Common Equity Tier 1 capital to risk weighted assets and Tier 1 leverage ratio, respectively.

The banks’ actual capital amounts and ratios as of December 31, 2021 and 2020 are presented in the following table:

	December 31, 2021				December 31, 2020			
	Actual		To Be Well Capitalized by Regulatory Definition		Actual		To Be Well Capitalized by Regulatory Definition	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):								
Lake Forest Bank	**$ 614,942**	**11.1 %**	**$ 552,325**	**10.0 %**	$ 525,202	12.0 %	$ 436,884	10.0 %
Hinsdale Bank	**370,363**	**11.3**	**327,716**	**10.0**	347,559	12.7	274,208	10.0
Wintrust Bank	**905,629**	**11.2**	**810,711**	**10.0**	808,451	11.6	697,039	10.0
Libertyville Bank	**203,893**	**11.4**	**179,719**	**10.0**	184,387	11.4	161,448	10.0
Barrington Bank	**362,019**	**11.6**	**313,373**	**10.0**	372,944	11.8	316,946	10.0
Crystal Lake Bank	**139,059**	**11.4**	**121,722**	**10.0**	127,621	11.4	111,594	10.0
Northbrook Bank	**338,912**	**11.2**	**303,915**	**10.0**	300,427	11.7	257,849	10.0
Schaumburg Bank	**148,108**	**11.0**	**134,208**	**10.0**	128,475	11.3	113,610	10.0
Village Bank	**219,017**	**11.0**	**198,923**	**10.0**	192,387	11.9	161,866	10.0
Beverly Bank	**189,349**	**11.4**	**166,645**	**10.0**	184,270	12.1	152,521	10.0
Town Bank	**273,185**	**11.3**	**241,598**	**10.0**	252,271	11.8	213,661	10.0
Wheaton Bank	**245,045**	**11.4**	**215,507**	**10.0**	213,784	11.4	186,919	10.0
State Bank of the Lakes	**145,438**	**11.3**	**129,304**	**10.0**	131,068	11.6	113,363	10.0
Old Plank Trail Bank	**190,402**	**11.5**	**165,493**	**10.0**	177,047	12.0	147,607	10.0
St. Charles Bank	**183,726**	**11.4**	**161,563**	**10.0**	165,876	12.0	138,774	10.0
Tier 1 Capital (to Risk Weighted Assets):								
Lake Forest Bank	**$ 586,701**	**10.6 %**	**$ 441,860**	**8.0 %**	$ 494,957	11.3 %	$ 349,507	8.0 %
Hinsdale Bank	**352,916**	**10.8**	**262,173**	**8.0**	323,207	11.8	219,366	8.0
Wintrust Bank	**844,613**	**10.4**	**648,569**	**8.0**	728,787	10.5	557,631	8.0
Libertyville Bank	**191,716**	**10.7**	**143,775**	**8.0**	169,328	10.5	129,158	8.0
Barrington Bank	**353,629**	**11.3**	**250,698**	**8.0**	362,326	11.4	253,556	8.0
Crystal Lake Bank	**131,730**	**10.8**	**97,378**	**8.0**	118,085	10.6	89,275	8.0
Northbrook Bank	**320,243**	**10.5**	**243,132**	**8.0**	280,852	10.9	206,279	8.0
Schaumburg Bank	**141,228**	**10.5**	**107,367**	**8.0**	119,335	10.5	90,888	8.0
Village Bank	**206,828**	**10.4**	**159,138**	**8.0**	176,868	10.9	129,493	8.0
Beverly Bank	**179,487**	**10.8**	**133,316**	**8.0**	173,168	11.4	122,017	8.0
Town Bank	**262,859**	**10.9**	**193,278**	**8.0**	236,926	11.1	170,929	8.0
Wheaton Bank	**234,218**	**10.9**	**172,405**	**8.0**	199,134	10.7	149,535	8.0
State Bank of the Lakes	**138,266**	**10.7**	**103,443**	**8.0**	122,183	10.8	90,690	8.0
Old Plank Trail Bank	**177,956**	**10.8**	**132,394**	**8.0**	155,975	10.9	118,085	8.0
St. Charles Bank	**174,516**	**10.8**	**129,250**	**8.0**	153,704	11.1	111,019	8.0
Common Equity Tier 1 Capital (to Risk Weighted Assets):								
Lake Forest Bank	**$ 586,701**	**10.6 %**	**$ 359,011**	**6.5 %**	$ 494,957	11.3 %	$ 283,975	6.5 %
Hinsdale Bank	**352,916**	**10.8**	**213,015**	**6.5**	323,207	11.8	178,235	6.5
Wintrust Bank	**844,613**	**10.4**	**526,962**	**6.5**	728,787	10.5	453,075	6.5
Libertyville Bank	**191,716**	**10.7**	**116,817**	**6.5**	169,328	10.5	104,941	6.5
Barrington Bank	**353,629**	**11.3**	**203,692**	**6.5**	362,326	11.4	206,015	6.5
Crystal Lake Bank	**131,730**	**10.8**	**79,119**	**6.5**	118,085	10.6	72,536	6.5
Northbrook Bank	**320,243**	**10.5**	**197,545**	**6.5**	280,852	10.9	167,602	6.5
Schaumburg Bank	**141,228**	**10.5**	**87,235**	**6.5**	119,335	10.5	73,846	6.5
Village Bank	**206,828**	**10.4**	**129,300**	**6.5**	176,868	10.9	105,213	6.5
Beverly Bank	**179,487**	**10.8**	**108,319**	**6.5**	173,168	11.4	99,139	6.5
Town Bank	**262,859**	**10.9**	**157,039**	**6.5**	236,926	11.1	138,880	6.5
Wheaton Bank	**234,218**	**10.9**	**140,079**	**6.5**	199,134	10.7	121,497	6.5
State Bank of the Lakes	**138,266**	**10.7**	**84,048**	**6.5**	122,183	10.8	73,686	6.5
Old Plank Trail Bank	**177,956**	**10.8**	**107,571**	**6.5**	155,975	10.9	95,944	6.5
St. Charles Bank	**174,516**	**10.8**	**105,016**	**6.5**	153,704	11.1	90,203	6.5

	December 31, 2021				December 31, 2020			
	Actual		**To Be Well Capitalized by Regulatory Definition**		Actual		To Be Well Capitalized by Regulatory Definition	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	Amount	Ratio	Amount	Ratio
Tier 1 Leverage Ratio:								
Lake Forest Bank	**$ 586,701**	**8.3 %**	**$ 353,846**	**5.0 %**	$ 494,957	8.8 %	$ 281,365	5.0 %
Hinsdale Bank	**352,916**	**8.8**	**200,228**	**5.0**	323,207	8.5	190,608	5.0
Wintrust Bank	**844,613**	**9.2**	**461,082**	**5.0**	728,787	8.8	412,878	5.0
Libertyville Bank	**191,716**	**8.5**	**112,448**	**5.0**	169,328	8.5	99,846	5.0
Barrington Bank	**353,629**	**10.9**	**162,392**	**5.0**	362,326	11.5	158,153	5.0
Crystal Lake Bank	**131,730**	**9.7**	**67,711**	**5.0**	118,085	9.0	65,329	5.0
Northbrook Bank	**320,243**	**8.5**	**188,424**	**5.0**	280,852	8.5	164,599	5.0
Schaumburg Bank	**141,228**	**9.0**	**78,938**	**5.0**	119,335	8.4	70,740	5.0
Village Bank	**206,828**	**9.2**	**111,885**	**5.0**	176,868	8.3	106,021	5.0
Beverly Bank	**179,487**	**9.9**	**90,265**	**5.0**	173,168	10.1	86,022	5.0
Town Bank	**262,859**	**7.9**	**166,487**	**5.0**	236,926	8.1	145,977	5.0
Wheaton Bank	**234,218**	**8.1**	**144,949**	**5.0**	199,134	7.7	128,592	5.0
State Bank of the Lakes	**138,266**	**8.5**	**81,475**	**5.0**	122,183	8.2	74,986	5.0
Old Plank Trail Bank	**177,956**	**8.2**	**108,332**	**5.0**	155,975	8.2	98,610	5.0
St. Charles Bank	**174,516**	**9.1**	**95,638**	**5.0**	153,704	8.8	87,849	5.0

Wintrust's mortgage banking division and broker/dealer subsidiary are also required to maintain minimum net worth capital requirements with various governmental agencies. The mortgage banking division's net worth requirements are governed by the Department of Housing and Urban Development and the broker/dealer's net worth requirements are governed by the SEC. As of December 31, 2021, these business units met their minimum net worth capital requirements.

(20) Commitments and Contingencies

The Company has outstanding, at any time, a number of commitments to extend credit. These commitments include revolving home equity line and other credit agreements, term loan commitments and standby and commercial letters of credit. Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party, while commercial letters of credit are issued specifically to facilitate commerce and typically result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party.

These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Statements of Condition. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. Commitments to extend commercial, commercial real estate and construction loans totaled $7.8 billion and $6.4 billion as of December 31, 2021 and 2020, respectively, and unused home equity lines totaled $749.4 million and $756.2 million as of December 31, 2021 and 2020, respectively. Standby and commercial letters of credit totaled $351.1 million at December 31, 2021 and $348.2 million at December 31, 2020.

In addition, at December 31, 2021 and 2020, the Company had approximately $590.0 million and $1.7 billion, respectively, in commitments to fund residential mortgage loans to be sold into the secondary market. These lending commitments are also considered derivative instruments. The Company also enters into forward contracts for the future delivery of residential mortgage loans at specified interest rates to reduce the interest rate risk associated with commitments to fund loans as well as mortgage loans held-for-sale. These forward contracts are also considered derivative instruments and had contractual amounts of approximately $952.3 million at December 31, 2021 and $2.3 billion at December 31, 2020. See Note 21, "Derivative Financial Instruments," for further discussion on derivative instruments.

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements usually require certain representations concerning credit information, loan documentation, collateral and insurability. On occasion, investors have requested the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans, and current economic conditions.

The Company sold approximately $7.4 billion of mortgage loans in 2021 and $7.6 billion in 2020. The liability for estimated losses on repurchase and indemnification claims for residential mortgage loans previously sold to investors was approximately $675,000 and $779,000 at December 31, 2021 and 2020, respectively, and was included in other liabilities on the Consolidated Statements of Condition. Losses charged against the liability were $219,000 in 2021 as compared to $187,000 in 2020. These losses relate to mortgages which experienced early payment and other defaults meeting certain representation and warranty recourse requirements.

The Company has unfunded commitments to investment partnerships that qualify for CRA purposes totaling $40.3 million as of December 31, 2021. Of these commitments, $7.1 million related to legally-binding unfunded commitments for tax-credit investments and was included within other liabilities on the Consolidated Statements of Condition.

The Company utilizes an out-sourced securities clearing platform and has agreed to indemnify the clearing broker of Wintrust Investments for losses that it may sustain from the customer accounts introduced by Wintrust Investments. As of December 31, 2021, the total amount of customer balances maintained by the clearing broker and subject to indemnification was approximately $22.5 million. Wintrust Investments seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines.

Litigation Matters

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

Wintrust Mortgage Matter

On October 17, 2018, a former Wintrust Mortgage employee filed a lawsuit in the Superior Court of Los Angeles County, California against Wintrust Mortgage alleging violation of California wage payment statutes on behalf of herself and all other hourly, non-exempt employees of Wintrust Mortgage in California. Wintrust Mortgage received service of the complaint on November 4, 2018. Wintrust Mortgage filed its response to the complaint on February 25, 2019. On November 1, 2019, the plaintiff's counsel filed a letter with the California Department of Labor advising that it was initiating an action under California's Private Attorney General Act statute based on the same alleged violations. In November 2019, the parties reached a settlement agreement. The parties executed a settlement agreement and on February 26, 2020, plaintiff moved the court for approval. A hearing on the motion to approve settlement was originally set for June 16, 2020, but the court continued the motion to September 8, 2020. On September 8, 2020, the court requested the parties make certain changes to the settlement agreement that were immaterial to the parties' settlement terms. The parties revised the settlement agreement consistent with the court's recommendations and submitted the revised settlement agreement to the court for its approval. On January 27, 2021, the court entered its preliminary approval of the settlement. After no class members opted out or objected to the settlement, the court issued its final approval of the settlement on June 17, 2021 and on June 18, 2021, Wintrust Mortgage tendered the settlement amount to the class claims administrator and payments to class members have been completed. The Company had reserved an amount for this settlement that is immaterial to its results of operations or financial condition.

Northbrook Bank Matter

On October 17, 2018, two individual plaintiffs filed suit in the Circuit Court of Cook County, Illinois against Northbrook Bank and Tamer Moumen on behalf of themselves and a class of approximately 42 investors in a hedge fund run by defendant Moumen. Plaintiffs allege that defendant Moumen ran a fraudulent Ponzi scheme and ran those funds through deposit accounts at Northbrook Bank. They allege the bank was negligent in failing to close the deposit accounts and that it intentionally aided and abetted defendant Moumen in the alleged fraud. They contend that Northbrook Bank is liable for losses in excess of $6 million. Northbrook Bank filed its motion to dismiss the complaint on January 15, 2019, which the court granted on March 5, 2019. On April 3, 2019, the plaintiffs filed an amended complaint based on similar allegations. Northbrook Bank again moved to dismiss. The court heard this motion on July 17, 2019 and once again dismissed the complaint without prejudice. Plaintiffs filed a second amended complaint on August 12, 2019. Northbrook moved to dismiss the second amended complaint. On November 6, 2019, the court dismissed the complaint with prejudice. Plaintiffs filed an appeal on December 2, 2019. After this appeal was fully briefed, on September 4, 2020, the Appellate Court for the First District of Illinois remanded the case back to the trial court for lack of appellate jurisdiction. The Appellate Court determined it did not have jurisdiction to hear the appeal because the trial court did not dismiss the suit against defendant Moumen and plaintiffs did not obtain the trial court's consent

for immediate appeal of the dismissal order against Northbrook Bank. On October 29, 2020, the plaintiffs cured the jurisdictional issue identified by the Appellate Court by dismissing defendant Moumen. Plaintiffs filed their renewed appeal on November 4, 2020. This matter was fully briefed and on July 30, 2021, the Appellate Court issued an opinion affirming the trial court's dismissal of the complaint with prejudice. On August 30, 2021, Plaintiffs filed a petition seeking permission to appeal to the Illinois Supreme Court. Northbrook Bank filed its response to plaintiffs' petition on September 23, 2021. On November 24, 2021, the Illinois Supreme Court denied plaintiffs' petition, thereby ending the dispute.

Other Matters

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

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

(21) 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 term (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 term. 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 collars 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 held-for-sale; (4) covered call options to economically hedge specific investment securities and receive fee income effectively enhancing the overall yield on such securities to compensate for net interest margin compression; and (5) options and swaps to economically hedge a portion of the fair value adjustments related to the Company's mortgage servicing rights portfolio. 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 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 accumulated other comprehensive income or loss 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.

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 are recorded as a component of accumulated other comprehensive income or loss, 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 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 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 December 31, 2021 and December 31, 2020:

(Dollars in thousands)	Derivative Assets		Derivative Liabilities	
	December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Derivatives designated as hedging instruments under ASC 815:				
Interest rate derivatives designated as Cash Flow Hedges	**$ 47,309**	$ 8,182	**$ 10,401**	$ 39,715
Interest rate derivatives designated as Fair Value Hedges	**1,474**	—	**5,841**	14,520
Total derivatives designated as hedging instruments under ASC 815	**$ 48,783**	$ 8,182	**$ 16,242**	$ 54,235
Derivatives not designated as hedging instruments under ASC 815:				
Interest rate derivatives	**$ 103,710**	$ 221,205	**$ 103,665**	$ 221,608
Interest rate lock commitments	**10,560**	48,925	**885**	—
Forward commitments to sell mortgage loans	**1,625**	—	**1,878**	12,510
Foreign exchange contracts	**330**	111	**330**	112
Total derivatives not designated as hedging instruments under ASC 815	**$ 116,225**	$ 270,241	**$ 106,758**	$ 234,230
Total Derivatives	**$ 165,008**	$ 278,423	**$ 123,000**	$ 288,465

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 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 collars designated as cash flow hedges involve the receipt of amounts in which the interest rate specified in the contract exceeds the agreed upon cap strike price or the payment of amounts in which the interest rate specified in the contract is below the agreed upon floor strike price at the end of each period.

As of December 31, 2021, the Company had 22 interest rate swap derivatives designated as cash flow hedges of variable rate deposits and one interest rate collar derivative designated as a cash flow hedge of the Company's variable rate Term Facility. When the relationship between the hedged item and hedging instrument is highly effective at achieving offsetting changes in cash flows attributable to the hedged risk, changes in the fair value of these cash flow hedges are recorded in accumulated other comprehensive income or loss and are subsequently reclassified to interest expense as interest payments are made on such variable rate deposits. The changes in fair value (net of tax) are separately disclosed in the Consolidated Statements of Comprehensive Income.

The table below provides details on these cash flow hedges, summarized by derivative type and maturity, as of December 31, 2021:

(Dollars in thousands)	December 31, 2021	
Maturity Date	**Notional Amount**	**Fair Value Asset (Liability)**
Interest Rate Swaps:		
March 2022	**$ 500,000**	**$ 21**
May 2022	**370,000**	**(2,400)**
June 2022	**160,000**	**(1,282)**
July 2022	**230,000**	**(1,944)**
August 2022	**235,000**	**(2,384)**
March 2023	**250,000**	**945**
April 2024	**250,000**	**3,187**
July 2027 [(1)]	**1,000,000**	**43,156**
Interest Rate Collars:		
September 2023	**80,357**	**(2,391)**
Total Cash Flow Hedges	**$ 3,075,357**	**$ 36,908**

(1) Interest rate swaps effective starting in July 2022.

In 2018, the Company terminated five interest rate swap derivatives designated as cash flow hedges of variable rate deposits with a total notional value of $650.0 million. As the hedged forecasted transactions (interest payments on variable rate deposits) still occurred over the remaining term of the terminated derivatives, any prior changes in the fair value of these cash flow hedges continued to be included within accumulated other comprehensive income or loss and reclassified to interest expense as interest payments continue to be made. The remaining term of these terminated derivatives ended in 2020. Therefore, no reclassification of these terminated derivatives from accumulated other comprehensive income or loss to interest expense occurred in 2021. In 2020 and 2019, the Company reclassified approximately $1.4 million and $4.7 million, respectively, from accumulated other comprehensive income or loss to interest expense related to these terminated interest rate swap derivatives.

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

	Years Ended December 31,	
(Dollars in thousands)	**2021**	2020
Unrealized loss at beginning of period	**$ (31,533)**	$ (17,943)
Amount reclassified from accumulated other comprehensive income to interest expense on deposits, other borrowings and junior subordinated debentures	**26,883**	18,471
Amount of gain (loss) recognized in other comprehensive income	**41,558**	(32,061)
Unrealized gain (loss) at end of period	**$ 36,908**	$ (31,533)

As of December 31, 2021, the Company estimated that during the next 12 months, $11.3 million will be reclassified from accumulated other comprehensive income or loss 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 December 31, 2021, the Company has 14 interest rate swaps with an aggregate notional amount of $212.5 million that were designated as fair value hedges primarily associated with fixed rate commercial and industrial and commercial real estate loans as well as life insurance premium finance receivables.

For derivatives designated and that qualify as fair value hedges, the net gain or loss from the entire change in the fair value of the derivative instrument is recognized in the same income statement line item as the earnings effect, including the net gain or loss, of the hedged item (interest income earned on fixed rate loans) when the hedged item affects earnings.

The following table presents the carrying amount of the hedged assets/(liabilities) and the cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets/(liabilities) that are designated as a fair value hedge accounting relationship as of December 31, 2021:

(Dollars in thousands)		December 31, 2021		
Derivatives in Fair Value Hedging Relationships	Location in the Statement of Condition	Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Remaining for any Hedged Assets (Liabilities) for which Hedge Accounting has been Discontinued
Interest rate swaps	Loans, net of unearned income	$ 142,213	$ 4,316	$ (132)
	Available-for-sale debt securities	1,150	68	—

The following table presents the gain or loss recognized related to derivative instruments that are designated as fair value hedges for the respective period:

(Dollars in thousands)		Year Ended December 31,
Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	2021
Interest rate swaps	Interest and fees on loans	$ 50
	Interest income - investment securities	—

Non-Designated Hedges

The Company does not use derivatives for speculative purposes. Derivatives not designated as accounting hedges are used to manage the Company's economic 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—Periodically, the Company may purchase interest rate cap derivatives designed to act as an economic hedge of the risk of the negative impact on its fixed-rate loan portfolios from rising interest rates, most notably the LIBOR index. As of December 31, 2021, the Company held interest rate caps with an aggregate notional value of $1.0 billion.

Additionally, 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 December 31, 2021, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $9.2 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 January 2022 to February 2045.

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 December 31, 2021, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $1.0 billion and interest rate lock commitments with an aggregate notional amount of approximately $439.5 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 December 31, 2021, the Company held foreign currency derivatives with an aggregate notional amount of approximately $15.3 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 to increase the total return associated with the investment securities portfolio. These options do not qualify as accounting 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 December 31, 2021 or December 31, 2020.

Periodically, the Company will purchase options for the right to purchase securities not currently held within the banks' investment portfolios or enter into interest rate swaps in which the Company elects to not designate such derivatives as hedging instruments. These option and swap transactions are designed primarily to economically hedge a portion of the fair value adjustments related to the Company's mortgage servicing rights portfolio. The gain or loss associated with these derivative contracts are included in mortgage banking revenue. There were no such options or swaps outstanding as of December 31, 2021 or December 31, 2020.

Amounts included in the Consolidated Statements of Income related to derivative instruments not designated in hedge relationships were as follows:

(Dollars in thousands)		December 31,	
Derivative	**Location in income statement**	**2021**	2020
Interest rate swaps and caps	Trading gains (losses), net	**$ 139**	$ (1,107)
Mortgage banking derivatives	Mortgage banking revenue	**(42,652)**	50,183
Covered call options	Fees from covered call options	**3,673**	2,292
Foreign exchange contracts	Trading gains (losses), net	**(10)**	(13)
Derivative contract held as economic hedge on MSRs	Mortgage banking revenue	**—**	4,749

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 December 31, 2021, the fair value of interest rate derivatives in a net liability position that were subject to such agreements, which includes accrued interest related to these agreements, was $58.8 million. If the Company had breached any of these provisions and the derivatives were terminated as a result, the Company 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 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.

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 table below summarizes 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)	**December 31, 2021**	December 31, 2020	**December 31, 2021**	December 31, 2020
Gross Amounts Recognized	**$ 152,493**	$ 229,387	**$ 119,907**	$ 275,843
Less: Amounts offset in the Statements of Condition	**—**	—	**—**	—
Net amount presented in the Statements of Condition	**$ 152,493**	$ 229,387	**$ 119,907**	$ 275,843
Gross amounts not offset in the Statements of Condition				
Offsetting Derivative Positions	**$ (52,832)**	$ (8,647)	**$ (52,832)**	$ (8,647)
Collateral Posted	**(3,530)**	—	**(55,201)**	(266,832)
Net Credit Exposure	**$ 96,131**	$ 220,740	**$ 11,874**	$ 364

(22) Fair Value 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 inputs 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 debt securities, trading account securities and equity securities with readily determinable fair value —Fair values for available-for-sale debt securities, trading account securities and equity securities with readily determinable fair value 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 these securities. 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 fair value of U.S. Treasury securities and certain equity securities with readily determinable fair value are based on unadjusted quoted prices in active markets for identical securities. As such, these securities are classified as Level 1 in the fair value hierarchy.

The Company's Investment Operations Department is responsible for the valuation of Level 3 available-for-sale debt 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 December 31, 2021, the Company classified $105.7 million of municipal securities as Level 3. These municipal securities are bond issues for various municipal government entities primarily located in the Chicago metropolitan area and southern Wisconsin and are privately placed, non-rated bonds without CUSIP numbers. The Company's methodology for pricing these securities 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 rated, 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). For bond issues without comparable bond proxies, a rating of "BBB" was assigned. At the year ended 2021, all of the ratings derived by the Investment Operations Department using the above process were "BBB" or better. 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 December 31, 2021 are 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.

Mortgage loans held-for-sale—The fair value of mortgage loans held-for-sale is determined by reference to investor price sheets for loan products with similar characteristics. As such, these loans are classified as Level 2 in the fair value hierarchy.

Loans held-for-investment—The fair value for loans in which the Company elected the fair value option is estimated by discounting future scheduled cash flows for the specific loan through maturity, adjusted for estimated credit losses and prepayments. The Company uses a discount rate based on the actual coupon rate of the underlying loan. At December 31, 2021, the Company classified $15.9 million of loans held-for-investment as Level 3. The discount rate used as an input to value these loans at December 31, 2021 was 3.00%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. As noted above, the fair value estimate includes assumptions of prepayment speeds and credit losses. The Company included a prepayment speed assumption of 11.64% at December 31, 2021. Prepayment speeds are inversely related to the fair value of these loans as an increase in prepayment speeds results in a decreased valuation. Additionally, the weighted average credit discount used as an input to value the specific loans was 0.57% with credit discounts ranging from 0% to 3% at December 31, 2021.

MSRs—Fair value for MSRs is determined utilizing a valuation model which calculates the fair value of each servicing rights based on the present value of estimated future cash flows. The Company uses a discount rate commensurate with the risk associated with each servicing rights, given current market conditions. At December 31, 2021, the Company classified $147.6 million of MSRs as Level 3. The weighted average discount rate used as an input to value the pool of MSRs at December 31, 2021 was 9.80% with discount rates applied ranging from 6% to 19%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. The fair value of MSRs was also estimated based on other assumptions including prepayment speeds and the cost to service. Prepayment speeds ranged from 0% to 83% or a weighted average prepayment speed of 11.64%. Further, for current and delinquent loans, the Company assumed the weighted average cost of servicing of $75 and $312, respectively, per loan. Prepayment speeds and the cost to service are both inversely related to the fair value of MSRs as an increase in prepayment speeds or the cost to service results in a decreased valuation. See Note 6, "Mortgage Servicing Rights ("MSRs")," for further discussion of MSRs.

Derivative instruments—The Company's derivative instruments include interest rate swaps, caps and collars, 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, caps and collars are valued by a third party, using models that primarily use market observable inputs, such as yield curves, and are classified as Level 2 in the fair value hierarchy. The credit risk associated with derivative financial instruments that are subject to master netting agreements is measured on a net basis by counterparty portfolio. The fair value for mortgage-related 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.

At December 31, 2021, the Company classified $10.6 million of derivative assets related to interest rate locks as Level 3. The fair value of interest rate locks is based on prices obtained for loans with similar characteristics from third parties, adjusted for the pull-through rate, which represents the Company's best estimate of the likelihood that a committed loan will ultimately fund. The weighted-average pull-through rate at December 31, 2021 was 85.78% with pull-through rates applied ranging from 26% to 100%. Pull-through rates are directly related to the fair value of interest rate locks as an increase in the pull-through rate results in an increased valuation.

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. These assets are classified as Level 2 in the fair value hierarchy.

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

	December 31, 2021			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$ —	$ —	$ —	$ —
U.S. Government agencies	**52,507**	—	**52,507**	—
Municipal	**165,594**	—	**59,907**	**105,687**
Corporate notes	**95,704**	—	**95,704**	—
Mortgage-backed	**2,013,988**	—	**2,013,988**	—
Trading account securities	**1,061**	—	**1,061**	—
Equity securities with readily determinable fair value	**90,511**	**82,445**	**8,066**	—
Mortgage loans held-for-sale	**817,912**	—	**817,912**	—
Loans held-for-investment	**38,598**	—	**22,707**	**15,891**
MSRs	**147,571**	—	—	**147,571**
Nonqualified deferred compensations assets	**16,240**	—	**16,240**	—
Derivative assets	**165,008**	—	**154,448**	**10,560**
Total	**$ 3,604,694**	**$ 82,445**	**$ 3,242,540**	**$ 279,709**
Derivative liabilities	**$ 123,000**	**$ —**	**$ 123,000**	**$ —**

	December 31, 2020			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$ 304,971	$ 304,971	$ —	$ —
U.S. Government agencies	84,513	—	82,547	1,966
Municipal	146,910	—	37,034	109,876
Corporate notes	91,405	—	91,405	—
Mortgage-backed	2,428,040	—	2,428,040	—
Trading account securities	671	—	671	—
Equity securities with readily determinable fair value	90,862	82,796	8,066	—
Mortgage loans held-for-sale	1,272,090	—	1,272,090	—
Loans held-for-investment	55,134	—	44,854	10,280
MSRs	92,081	—	—	92,081
Nonqualified deferred compensations assets	15,398	—	15,398	—
Derivative assets	278,423	—	230,332	48,091
Total	$ 4,860,498	$ 387,767	$ 4,210,437	$ 262,294
Derivative liabilities	$ 288,465	$ —	$ 288,465	$ —

The aggregate remaining contractual principal balance outstanding as of December 31, 2021 and 2020 for mortgage loans held- for-sale measured at fair value under ASC 825 was $801.6 million and $1.2 billion, respectively, while the aggregate fair value of mortgage loans held-for-sale was $817.9 million and $1.3 billion, respectively, as shown in the above tables. There were $125.5 million of loans past due greater than 90 days and still accruing interest in the mortgage loans held-for-sale portfolio as of December 31, 2021 and $134.1 million of loans as of December 31, 2020. All of the loans past due greater than 90 days and still accruing as of December 31, 2021 were individual delinquent mortgage loans bought back from GNMA at the unconditional option of the Company as servicer for those loans.

The changes in Level 3 assets measured at fair value on a recurring basis during the years ended December 31, 2021 and 2020 are summarized as follows:

(Dollars in thousands)	Municipal	U.S. Government Agencies	Loans held-for-investment	MSRs	Derivative assets
Balance at January 1, 2021	**$ 109,876**	**$ 1,966**	**$ 10,280**	**$ 92,081**	**$ 48,091**
Total net gains (losses) included in:					
Net income [1]	**—**	**(4)**	**(293)**	**55,490**	**(37,531)**
Other comprehensive income	**(4,830)**	**(24)**	**—**	**—**	**—**
Purchases	**38,727**	**—**	**—**	**—**	**—**
Issuances	**—**	**—**	**—**	**—**	**—**
Sales	**—**	**—**	**—**	**—**	**—**
Settlements	**(38,086)**	**(1,938)**	**(4,653)**	**—**	**—**
Net transfers into/(out of) Level 3	**—**	**—**	**10,557**	**—**	**—**
Balance at December 31, 2021	**$ 105,687**	**$ —**	**$ 15,891**	**$ 147,571**	**$ 10,560**

(Dollars in thousands)	Municipal	U.S. Government Agencies	Loans held-for-investment	MSRs	Derivative assets
Balance at January 1, 2020	$ 111,950	$ 2,646	$ 9,620	$ 85,638	$ 2,631
Total net gains (losses) included in:					
Net income [1]	—	—	184	6,443	45,460
Other comprehensive income	(1,302)	(50)	—	—	—
Purchases	39,365	—	—	—	—
Issuances	—	—	—	—	—
Sales	—	—	—	—	—
Settlements	(40,137)	(630)	(21,025)	—	—
Net transfers into/(out of) Level 3	—	—	21,501	—	—
Balance at December 31, 2020	$ 109,876	$ 1,966	$ 10,280	$ 92,081	$ 48,091

(1) *Changes in the balance of MSRs and derivative assets related to fair value adjustments are recorded as a component of mortgage banking revenue. Changes in the balance of loans held-for-investment related to fair value adjustments are recorded as other non-interest income.*

Also, the Company may be required, from time to time, to measure certain other 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 December 31, 2021.

	December 31, 2021				**Year Ended December 31, 2021 Fair Value Losses Recognized, net**
(Dollars in thousands)	**Total**	**Level 1**	**Level 2**	**Level 3**	
Individually assessed loans - foreclosure probable and collateral-dependent	$ 63,415	$ —	$ —	$ 63,415	$ 26,341
Other real estate owned [(1)]	4,271	—	—	4,271	1,197
Total	$ 67,686	$ —	$ —	$ 67,686	$ 27,538

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

Individually assessed loans—In accordance with ASC 326, the allowance for credit losses for loans and other financial assets held at amortized cost should be measured on a collective or pooled basis when such assets exhibit similar risk characteristics. In instances in which a financial asset does not exhibit similar risk characteristics to a pool, the Company is required to measure such allowance for credit losses on an individual asset basis. For the Company's loan portfolio, nonaccrual loans and TDRs are considered to not exhibit similar risk characteristics as pools and thus are individually assessed. Credit losses are 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. Individually assessed loans are considered a fair value measurement where an allowance for credit loss is established based on the fair value of collateral. Appraised values on relevant real estate properties, which may require adjustments to market-based valuation inputs, are generally used on foreclosure probable and collateral-dependent loans within the real estate portfolios.

The Company’s Managed Assets Division is primarily responsible for the valuation of Level 3 inputs of individually assessed loans. For more information on individually assessed loans refer to Note 5 – Allowance for Credit Losses. At December 31, 2021, the Company had $93.3 million of individually assessed loans classified as Level 3. Of the $93.3 million of individually assessed loans, $63.4 million were measured at fair value based on the underlying collateral of the loan as shown in the table above. The remaining $29.9 million were valued based on discounted cash flows in accordance with ASC 310.

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 that are adjusted by a discount representing the estimated cost of sale and is therefore considered a Level 3 valuation.

The Company’s Managed Assets Division is primarily responsible for the valuation of Level 3 inputs for other real estate owned. At December 31, 2021, the Company had $4.3 million of other real estate owned classified as Level 3. The unobservable input applied to other real estate owned relates to the 10% reduction to the appraisal value representing the estimated cost of sale of the foreclosed property. A higher discount for the estimated cost of sale results in a decreased carrying value.

The valuation techniques and significant unobservable inputs used to measure both recurring and non-recurring Level 3 fair value measurements at December 31, 2021 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	$ 105,687	Bond pricing	Equivalent rating	BBB-AA+	N/A	Increase
Loans held-for-investment	15,891	Discounted cash flows	Discount rate	3.00%	3.00%	Decrease
			Credit discount	0%-3%	0.57%	Decrease
			Constant prepayment rate (CPR)	11.64%	11.64%	Decrease
MSRs	147,571	Discounted cash flows	Discount rate	6%-19%	9.80%	Decrease
			Constant prepayment rate (CPR)	0%-83%	11.64%	Decrease
			Cost of servicing	$70-$200	$ 75	Decrease
			Cost of servicing - delinquent	$200-1,000	$ 312	Decrease
Derivatives	10,560	Discounted cash flows	Pull-through rate	26%-100%	85.78 %	Increase
Measured at fair value on a non-recurring basis:						
Impaired loans—collateral based	63,415	Appraisal value	Appraisal adjustment - cost of sale	10%	10.00%	Decrease
Other real estate owned	4,271	Appraisal value	Appraisal adjustment - cost of sale	10%	10.00%	Decrease

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 table below presents the carrying amounts and estimated fair values of the Company's financial instruments as of the dates shown:

	December 31, 2021		December 31, 2020	
(Dollars in thousands)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**$ 411,205**	**$ 411,205**	$ 322,474	$ 322,474
Securities sold under agreements to repurchase with original maturities exceeding three months	**700,000**	**700,000**	—	—
Interest-bearing deposits with banks	**5,372,603**	**5,372,603**	4,802,527	4,802,527
Available-for-sale securities	**2,327,793**	**2,327,793**	3,055,839	3,055,839
Held-to-maturity securities	**2,942,285**	**2,900,694**	579,138	593,767
Trading account securities	**1,061**	**1,061**	671	671
Equity securities with readily determinable fair value	**90,511**	**90,511**	90,862	90,862
FHLB and FRB stock, at cost	**135,378**	**135,378**	135,588	135,588
Brokerage customer receivables	**26,068**	**26,068**	17,436	17,436
Mortgage loans held-for-sale, at fair value	**817,912**	**817,912**	1,272,090	1,272,090
Loans held-for-investment, at fair value	**38,598**	**38,598**	55,134	55,134
Loans held-for-investment, at amortized cost	**34,750,506**	**35,297,878**	32,023,939	31,871,683
Nonqualified deferred compensation assets	**16,240**	**16,240**	15,398	15,398
Derivative assets	**165,008**	**165,008**	278,423	278,423
Accrued interest receivable and other	**268,921**	**268,921**	272,339	272,339
Total financial assets	**$ 48,064,089**	**$ 48,569,870**	$ 42,921,858	$ 42,784,231
Financial Liabilities:				
Non-maturity deposits	**$ 38,126,796**	**$ 38,126,796**	$ 32,116,023	$ 32,116,023
Deposits with stated maturities	**3,968,789**	**3,965,372**	4,976,628	4,969,849
FHLB advances	**1,241,071**	**1,186,280**	1,228,429	1,172,315
Other borrowings	**494,136**	**494,670**	518,928	518,928
Subordinated notes	**436,938**	**472,684**	436,506	473,093
Junior subordinated debentures	**253,566**	**212,226**	253,566	204,713
Derivative liabilities	**123,000**	**123,000**	288,465	288,465
Accrued interest payable	**9,304**	**9,304**	15,645	15,645
Total financial liabilities	**$ 44,653,600**	**$ 44,590,332**	$ 39,834,190	$ 39,759,031

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, accrued interest receivable and accrued interest payable and non-maturity deposits.

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

Held-to-maturity securities. Held-to-maturity securities include U.S. Government-sponsored agency securities, municipal bonds issued by various municipal government entities primarily located in the Chicago metropolitan area and southern Wisconsin and mortgage-backed securities. Fair values for held-to-maturity securities are typically based on prices obtained from independent pricing vendors. In accordance with ASC 820, the Company has generally categorized these held-to-maturity securities as a Level 2 fair value measurement. Fair values for certain other held-to-maturity securities are based on the bond pricing methodology discussed previously related to certain available-for-sale securities. In accordance with ASC 820, the Company has categorized these held-to-maturity securities as a Level 3 fair value measurement.

Loans held-for-investment, at amortized cost. 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. 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.

FHLB advances. The fair value of FHLB advances is obtained from the FHLB, 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 FHLB advances as a Level 3 fair value measurement.

Subordinated notes. The fair value of the subordinated notes is based on a market price obtained from an independent pricing vendor. In accordance with ASC 820, the Company has categorized subordinated notes as a Level 2 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.

(23) Shareholders' Equity

A summary of the Company's common and preferred stock at December 31, 2021 and 2020 is as follows:

	2021	2020
Common Stock:		
Shares authorized	**100,000,000**	100,000,000
Shares issued	**58,891,780**	58,473,252
Shares outstanding	**57,054,091**	56,769,625
Cash dividend per share	**$ 1.24**	$ 1.12
Preferred Stock:		
Shares authorized	**20,000,000**	20,000,000
Shares issued	**5,011,500**	5,011,500
Shares outstanding	**5,011,500**	5,011,500

The Company reserves shares of its authorized common stock specifically for the 2015 Plan, the ESPP and the DDFS. The reserved shares and these plans are detailed in Note 18 - Stock Compensation Plans and Other Employee Benefit Plans.

Series D Preferred Stock

In June 2015, the Company issued and sold 5,000,000 shares of fixed-to-floating non-cumulative perpetual preferred stock, Series D, liquidation preference $25 per share (the "Series D Preferred Stock") for $125.0 million in a public offering. When, as and if declared, dividends on the Series D Preferred Stock are payable quarterly in arrears at a fixed rate of 6.50% per annum from the original issuance date to, but excluding, July 15, 2025, and from (and including) that date at a floating rate equal to three-month LIBOR plus a spread of 4.06% per annum.

Series E Preferred Stock

In May 2020, the Company issued 11,500 shares of fixed-rate reset non-cumulative perpetual preferred stock, Series E, liquidation preference $25,000 per share (the "Series E Preferred Stock") as part of a $287.5 million public offering of 11,500,000 depositary shares, each representing a 1/1,000th interest in a share of Series E Preferred Stock. When, as and if declared, dividends on the Series E Preferred Stock are payable quarterly in arrears at a fixed rate of 6.875% per annum from October 15, 2020 to, but excluding, July 15, 2025, and from (and including) July 15, 2025 at a floating rate equal to the Five-Year Treasury Rate (as defined in the certificate of designations for the Series E Preferred Stock) plus 6.507%.

Other

At the January 2022 Board of Directors meeting, a quarterly cash dividend of $0.34 per share of common stock ($1.36 on an annualized basis) was declared. It was paid on February 24, 2022 to shareholders of record as of February 10, 2022.

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 years ended December 31, 2021, 2020 and 2019:

(In thousands)	Accumulated Unrealized Gains (Losses) on Securities	Accumulated Unrealized Gains (Losses) on Derivative Instruments	Accumulated Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2021	**$ 70,737**	**$ (23,090)**	**$ (32,265)**	**$ 15,382**
Other comprehensive income (loss) during the period, net of tax, before reclassification	**(61,047)**	**30,482**	**522**	**(30,043)**
Amount reclassified from accumulated other comprehensive income into net income, net of tax	**(789)**	**19,719**	**—**	**18,930**
Amount reclassified from accumulated other comprehensive income related to amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale	**(177)**	**—**	**—**	**(177)**
Net other comprehensive income (loss) during the period, net of tax	**$ (62,013)**	**$ 50,201**	**$ 522**	**$ (11,290)**
Balance at December 31, 2021	**$ 8,724**	**$ 27,111**	**$ (31,743)**	**$ 4,092**
Balance at January 1, 2020	$ 14,982	$ (13,141)	$ (36,519)	$ (34,678)
Other comprehensive income (loss) during the period, net of tax, before reclassification	56,086	(23,497)	4,254	36,843
Amount reclassified from accumulated other comprehensive income into net income, net of tax	(162)	13,548	—	13,386
Amount reclassified from accumulated other comprehensive income related to amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale	(169)	—	—	(169)
Net other comprehensive income (loss) during the period, net of tax	$ 55,755	$ (9,949)	$ 4,254	$ 50,060
Balance at December 31, 2020	$ 70,737	$ (23,090)	$ (32,265)	$ 15,382
Balance at January 1, 2019	$ (42,353)	$ 7,857	$ (42,376)	$ (76,872)
Other comprehensive income (loss) during the period, net of tax, before reclassification	58,341	(13,481)	5,857	50,717
Amount reclassified from accumulated other comprehensive income into net income, net of tax	(658)	(7,517)	—	(8,175)
Amount reclassified from accumulated other comprehensive income related to amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale	(348)	—	—	(348)
Net other comprehensive income (loss) during the period, net of tax	$ 57,335	$ (20,998)	$ 5,857	$ 42,194
Balance at December 31, 2019	$ 14,982	$ (13,141)	$ (36,519)	$ (34,678)

Details Regarding the Component of Accumulated Other Comprehensive Income (Loss)	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) for the Year Ended, December 31, 2021	2020	Impacted Line on the Consolidated Statements of Income
	(In thousands)		
Accumulated unrealized gains on available-for-sale securities			
Gains included in net income	**$ 1,079**	$ 221	Gains (losses) on investment securities, net
	1,079	221	Income before taxes
Tax effect	**(290)**	(59)	Income tax expense
Net of tax	**$ 789**	$ 162	Net income
Accumulated unrealized gains (losses) on derivative instruments			
Amount reclassified to interest expense on deposits	**$ 19,640**	$ 13,209	Interest on deposits
Amount reclassified to interest expense on other borrowings	**2,560**	2,187	Interest on other borrowings
Amount reclassified to interest expense on junior subordinated debentures	**4,683**	3,075	Interest on junior subordinated debentures
	(26,883)	(18,471)	Income before taxes
Tax effect	**7,164**	4,923	Income tax expense
Net of tax	**$ (19,719)**	$ (13,548)	Net income

(24) 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.

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 and leases originated by the specialty finance segment and sold or assigned 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 10, “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 those described in the “Summary of Significant Accounting Policies” in Note 1. 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:

(Dollars in thousands)	Community Banking	Specialty Finance	Wealth Management	Total Operating Segments	Intersegment Eliminations	Consolidated
2021						
Net interest income	**$ 868,477**	**$ 197,958**	**$ 31,939**	**$ 1,098,374**	**$ 26,583**	**$ 1,124,957**
Provision for credit losses	**(60,309)**	**1,046**	**—**	**(59,263)**	**—**	**(59,263)**
Non-interest income	**422,698**	**95,822**	**128,951**	**647,471**	**(61,351)**	**586,120**
Non-interest expense	**912,296**	**143,526**	**111,490**	**1,167,312**	**(34,768)**	**1,132,544**
Income tax expense	**120,092**	**40,040**	**11,513**	**171,645**	**—**	**171,645**
Net income	**$ 319,096**	**$ 109,168**	**$ 37,887**	**$ 466,151**	**$ —**	**$ 466,151**
Total assets at end of year	**$ 40,253,818**	**$ 8,382,722**	**$ 1,505,603**	**$ 50,142,143**	**$ —**	**$ 50,142,143**
2020						
Net interest income	$ 808,443	$ 177,025	$ 30,612	$ 1,016,080	$ 23,827	$ 1,039,907
Provision for credit losses	206,774	7,446	—	214,220	—	214,220
Non-interest income	469,187	86,268	103,438	658,893	(54,704)	604,189
Non-interest expense	855,797	118,560	96,615	1,070,972	(30,877)	1,040,095
Income tax expense	51,439	36,956	8,396	96,791	—	96,791
Net income	$ 163,620	$ 100,331	$ 29,039	$ 292,990	$ —	$ 292,990
Total assets at end of year	$ 36,769,640	$ 7,015,590	$ 1,295,538	$ 45,080,768	$ —	$ 45,080,768
2019						
Net interest income	$ 841,601	$ 161,720	$ 30,118	$ 1,033,439	$ 21,480	$ 1,054,919
Provision for credit losses	47,914	5,950	—	53,864	—	53,864
Non-interest income	274,652	79,467	100,121	454,240	(47,068)	407,172
Non-interest expense	747,202	111,377	95,135	953,714	(25,588)	928,126
Income tax expense	82,639	34,424	7,341	124,404	—	124,404
Net income	$ 238,498	$ 89,436	$ 27,763	$ 355,697	$ —	$ 355,697
Total assets at end of year	$ 29,583,112	$ 5,916,835	$ 1,120,636	$ 36,620,583	$ —	$ 36,620,583

(25) Condensed Parent Company Financial Statements

Condensed parent company only financial statements of Wintrust follow:

Statements of Financial Condition

(In thousands)	December 31, 2021	December 31, 2020
Assets		
Cash	**$ 181,157**	$ 322,607
Available-for-sale debt securities and equity securities with readily determinable fair value	**17,089**	15,250
Investment in and receivable from subsidiaries	**4,966,720**	4,464,747
Goodwill	**8,371**	8,371
Other assets	**354,148**	366,209
Total assets	**$ 5,527,485**	$ 5,177,184
Liabilities and Shareholders' Equity		
Other liabilities	**$ 194,681**	$ 204,299
Subordinated notes	**436,938**	436,506
Other borrowings	**143,612**	166,818
Junior subordinated debentures	**253,566**	253,566
Shareholders' equity	**4,498,688**	4,115,995
Total liabilities and shareholders' equity	**$ 5,527,485**	$ 5,177,184

Statements of Income

(In thousands)	Years Ended December 31, 2021	2020	2019
Income			
Dividends and other revenue from subsidiaries	**$ 211,774**	$ 317,839	$ 198,918
Investment securities gains (losses) and other income	**2,763**	(1,890)	3,044
Total income	**$ 214,537**	$ 315,949	$ 201,962
Expenses			
Interest expense	**$ 38,293**	$ 39,581	$ 34,649
Salaries and employee benefits	**109,142**	75,179	72,925
Other expenses	**139,816**	113,886	116,132
Total expenses	**$ 287,251**	$ 228,646	$ 223,706
Income (loss) before income taxes and equity in undistributed income of subsidiaries	**$ (72,714)**	$ 87,303	$ (21,744)
Income tax benefit	**56,529**	42,745	40,776
Income before equity in undistributed net income of subsidiaries	**$ (16,185)**	$ 130,048	$ 19,032
Equity in undistributed net income of subsidiaries	**482,336**	162,942	336,665
Net income	**$ 466,151**	$ 292,990	$ 355,697

Statements of Cash Flows

(In thousands)	Years Ended December 31, 2021	2020	2019
Operating Activities:			
Net income	**$ 466,151**	$ 292,990	$ 355,697
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	**—**	—	(18)
Gains on investment securities, net	**(1,794)**	(192)	(1,900)
Depreciation and amortization	**28,783**	22,224	15,675
Deferred income tax (benefit) expense	**(5,350)**	11,336	8,342
Stock-based compensation expense	**6,769**	(2,813)	5,611
Decrease in other assets	**6,598**	4,838	4,940
Increase (decrease) in other liabilities	**1,225**	2,388	(13,181)
Equity in undistributed net income of subsidiaries	**(482,336)**	(162,942)	(336,665)
Net Cash Provided by Operating Activities	**$ 20,046**	$ 167,829	$ 38,501
Investing Activities:			
Capital contributions to subsidiaries, net	**$ (27,000)**	$ (12,000)	$ (22,500)
Net cash paid for acquisitions, net	**—**	—	(124,338)
Other investing activity, net	**(22,877)**	(40,127)	(51,495)
Net Cash Used for Investing Activities	**$ (49,877)**	$ (52,127)	$ (198,333)
Financing Activities:			
(Decrease) increase in subordinated notes, other borrowings and junior subordinated debentures, net	**$ (23,274)**	$ (2,690)	$ 273,886
Net proceeds from issuance of Series E Preferred Stock	**—**	277,613	—
Issuance of common shares resulting from exercise of stock options and employee stock purchase plan	**19,824**	15,059	10,667
Dividends paid	**(98,629)**	(85,890)	(65,110)
Common stock repurchases under authorized program	**(9,540)**	(92,055)	—
Common stock repurchases for tax withholdings related to stock-based compensation	**—**	(1,377)	(1,297)
Net Cash (Used for) Provided by Financing Activities	**$ (111,619)**	$ 110,660	$ 218,146
Net (Decrease) Increase in Cash and Cash Equivalents	**$ (141,450)**	$ 226,362	$ 58,314
Cash and Cash Equivalents at Beginning of Year	**322,607**	96,245	37,931
Cash and Cash Equivalents at End of Year	**$ 181,157**	$ 322,607	$ 96,245

(26) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for 2021, 2020 and 2019:

(In thousands, except per share data)			**2021**		2020		2019
Net income		**$**	**466,151**	$	292,990	$	355,697
Less: Preferred stock dividends			**27,964**		21,377		8,200
Net income applicable to common shares	(A)	**$**	**438,187**	$	271,613	$	347,497
Weighted average common shares outstanding	(B)		**56,994**		57,523		56,857
Effect of dilutive potential common shares:							
Common stock equivalents			**792**		496		762
Weighted average common shares and effect of dilutive potential common shares	(C)		**57,786**		58,019		57,619
Net income per common share:							
Basic	(A/B)	**$**	**7.69**	$	4.72	$	6.11
Diluted	(A/C)		**7.58**		4.68		6.03

Potentially dilutive common shares can result from stock options, restricted stock unit awards, stock warrants and shares to be issued under the ESPP and the DDFS 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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The Company made no changes in and had no disagreements with its independent accountants during the two most recent fiscal years or any subsequent interim period.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, management of the Company, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon, and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective, in ensuring the information relating to the Company (and its consolidated subsidiaries) required to be disclosed by the Company in the reports it files or submits under the Exchange Act was recorded, processed, summarized and reported in a timely manner.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company’s internal control over financial reporting that occurred during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Report on Management's Assessment of Internal Control Over Financial Reporting

Wintrust Financial Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this Annual Report on Form 10-K. The consolidated financial statements and notes included in this Annual Report on Form 10-K have been prepared in conformity with generally accepted accounting principles in the United States and necessarily include some amounts that are based on management's best estimates and judgments.

We, as management of Wintrust Financial Corporation, are responsible for establishing and maintaining adequate internal control over financial reporting that is designed to produce reliable financial statements in conformity with generally accepted accounting principles in the United States. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management assessed the Company's system of internal control over financial reporting as of December 31, 2021, in relation to criteria for the effective internal control over financial reporting as described in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO Criteria). Based on this assessment, management concluded that, as of December 31, 2021, the Company's system of internal control over financial reporting is effective and meets the criteria of the COSO Criteria. Ernst & Young LLP (PCAOB ID 42), the independent registered public accounting firm that audited the Company's financial statements included in this Annual Report on Form 10-K, has issued an attestation report on management's assessment of the Corporation's internal control over financial reporting. Their report expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021.

/s/ Edward J. Wehmer	/s/ David L. Stoehr
Edward J. Wehmer	David L. Stoehr
Founder and	Executive Vice President &
Chief Executive Officer	Chief Financial Officer

Rosemont, Illinois
February 25, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Wintrust Financial Corporation

Opinion on Internal Control over Financial Reporting

We have audited Wintrust Financial Corporation and subsidiaries' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Wintrust Financial Corporation and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of condition of the Company as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated February 25, 2022 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitation of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Chicago, Illinois
February 25, 2022

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required in response to this item will be contained in the Company's Proxy Statement for its Annual Meeting of Shareholders to be held May 26, 2022 (the "Proxy Statement") under the captions "Election of Directors," "Executive Officers of the Company," "Board of Directors' Committees and Governance" and "Delinquent Section 16(a) Reports" and is incorporated herein by reference.

The Company has adopted a Corporate Code of Ethics which complies with the rules of the SEC and the listing standards of the NASDAQ Global Select Market. The code applies to all of the Company's directors, officers and employees and is posted on the Company's website (www.wintrust.com), under the "Corporate Governance" section of the "Investor Relations" tab. The Company will post on its website any amendments to, or waivers from, its Corporate Code of Ethics as the code applies to its directors or executive officers.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this item will be contained in the Company's Proxy Statement under the captions "Executive Compensation," "Director Compensation" "Compensation Committee Interlocks and Insider Participation" "CEO Pay Ratio Disclosure" and "Compensation Committee Report" and is incorporated herein by reference. The information included under the heading "Compensation Committee Report" in the Proxy Statement shall not be deemed "soliciting" materials or to be "filed" with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information with respect to security ownership of certain beneficial owners and management is incorporated by reference to the materials under the caption "Security Ownership of Certain Beneficial Owners, Directors and Management" that will be included in the Company's Proxy Statement.

The following table summarizes information as of December 31, 2021, relating to the Company's equity compensation plans pursuant to which common stock is authorized for issuance:

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders			
WTFC 1997 Stock Incentive Plan, as amended	85,000	$ —	—
WTFC 2007 Stock Incentive Plan	56,323	25.43	—
WTFC 2015 Stock Incentive Plan	1,068,127	5.49	963,175
WTFC Employee Stock Purchase Plan	—	—	262,650
WTFC Directors Deferred Fee and Stock Plan	—	—	493,702
	1,209,450	$ 6.03	1,719,527
Equity compensation plans not approved by security holders (1)			
N/A	—	—	—
Total	1,209,450	$ 6.03	1,719,527

(1) Excludes 18,065 shares of the Company's common stock issuable pursuant to the exercise of options granted under the plan of STC Bancshares Corporation. The weighted average exercise price of these options is $41.90. No additional awards will be made under this plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required in response to this item will be contained in the Company's Proxy Statement under the caption "Related Party Transactions" and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required in response to this item will be contained in the Company's Proxy Statement under the caption "Audit and Non-Audit Fees Paid" and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Annual Report on Form 10-K.

1 Financial Statements

The following financial statements of Wintrust Financial Corporation, incorporated herein by reference to Item 8, Financial Statements and Supplementary Data:

- Consolidated Statements of Condition as of December 31, 2021 and 2020
- Consolidated Statements of Income for the Years Ended December 31, 2021, 2020 and 2019
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2021, 2020 and 2019
- Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2021, 2020 and 2019
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2021, 2020 and 2019
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

2 Financial Statement Schedules

Financial statement schedules have been omitted as they are not applicable or the required information is shown in the Consolidated Financial Statements or notes thereto.

3 Exhibits (Exhibits marked with a "*" denote management contracts or compensatory plans or arrangements)

Exhibit No.	Exhibit Description
3.1	Amended and Restated Articles of Incorporation of the Company, as amended (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, Exhibits 3.1 and 3.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 29, 2011 and Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012).
3.2	Certificate of Designations of the Company filed on June 24, 2015 with the Secretary of State of the State of Illinois designating the preferences, limitations, voting powers and relative rights of the Series D Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 25, 2015).
3.3	Certificate of Designations of the Company filed on May 7, 2020 with the Secretary of State of the State of Illinois designating the preferences, limitations, voting powers and relative rights of the Series E Preferred Stock (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2020).
3.4	Amended and Restated By-laws of the Company, as amended (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 31, 2022).
4.1	Description of the Company's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 26, 2021).
4.2	Certain instruments defining the rights of the holders of long-term debt of the Company and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Company and its subsidiaries on a consolidated basis, have not been filed as Exhibits. The Company hereby agrees to furnish a copy of any of these agreements to the Securities and Exchange Commission upon request.
4.3	Form of Subordinated Indenture between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.5 of the Company's Registration Statement on Form S-3 filed with the Securities and Exchange Commission on May 6, 2020).
4.4	Form of Depositary Receipt (included as Exhibit A to Exhibit 4.3 hereto) (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2020).

4.5	Deposit Agreement, dated as of May 15, 2020, among Wintrust Financial Corporation, U.S. Bank National Association, as Depositary, and the holders from time to time of the Depositary Receipts issued thereunder (incorporated by reference to Exhibit 4.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 15, 2020).
4.6	Subordinated Indenture, dated June 13, 2014, between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 13, 2014).
4.7	First Supplemental Indenture, dated June 13, 2014 between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 13, 2014).
4.8	Form of 5.000% Subordinated Note due 2024 (incorporated by reference to Exhibit A in Exhibit 4.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 13, 2014).
4.9	Second Supplemental Indenture, dated June 6, 2019 between the Company and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 6, 2019).
4.10	Form of 4.850% Subordinated Notes due 2029 (incorporated by reference to Exhibit A in Exhibit 4.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 6, 2019).
4.11	Form of Subordinated Indenture (incorporated by reference to Exhibit 4.5 of the Company’s Registration Statement on Form S-3 filed with the Securities and Exchange Commission on May 6, 2020).
10.1	Credit Agreement, dated as of September 18, 2018, among the Company, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent and sole lead arranger (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 19, 2018).
10.2	First Amendment, dated as of September 17, 2019, to the Credit Agreement dated as of September 18, 2018, as amended, among Wintrust Financial Corporation, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 19, 2019).
10.3	Second Amendment, dated as of September 15, 2020, to the Credit Agreement dated as of September 18, 2018, as amended, among Wintrust Financial Corporation, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 17, 2020).
10.4	Third Amendment, dated as of September 14, 2021, to the Credit Agreement dated as of September 18, 2018, as amended, among Wintrust Financial Corporation, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 14, 2021).
10.5	Fourth Amendment, dated as of December 23, 2021, to the Credit Agreement dated as of September 18, 2018, as amended, among Wintrust Financial Corporation, the lenders named therein, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 28, 2021).
10.6	Receivables Purchase Agreement, dated as of December 16, 2014, by and among First Insurance Funding of Canada Inc. and CIBC Mellon Trust Company, in its capacity as Trustee of PLAZA Trust (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2014).
10.7	First Amending Agreement to the Receivables Purchase Agreement, dated December 15, 2015, by and among First Insurance Funding of Canada Inc. and CIBC Mellon Trust Company, in its capacity as Trustee of PLAZA Trust (incorporated by reference to Exhibit 10.5 of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2016).
10.8	Second Amending Agreement to the Receivables Purchase Agreement, dated September 9, 2016, by and among First Insurance Funding of Canada, Inc. and CIBC Mellon Trust Company, in its capacity as Trustee of PLAZA Trust (incorporated by reference to Exhibit 10.9 of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2018).

10.9 Third Amending Agreement to the Receivables Purchase Agreement, dated December 15, 2017, by and among First Insurance Funding of Canada Inc. and CIBC Mellon Trust Company, in its capacity as Trustee of PLAZA Trust (incorporated by reference to Exhibit 10.1 of the Company's Annual Report on Form 8-K filed with the Securities and Exchange Commission on December 18, 2017).

10.10 Fourth Amending Agreement to the Receivables Purchase Agreement, dated June 29, 2018, by and among First Insurance Funding of Canada Inc. and CIBC Mellon Trust Company, in its capacity as Trustee of PLAZA Trust (incorporated by reference to Exhibit 10.1 of the Company's Annual Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2018).

10.11 Fifth Amending Agreement to the Receivables Purchase Agreement, dated as of February 15, 2019 by and between First Insurance Funding of Canada Inc. and CIBC Mellon Trust, in its capacity as trustee of Plaza Trust, by its Financial Service Agent, Royal Bank of Canada (incorporated by reference to Exhibit 10.1 of the Company's Annual Report on Form 8-K filed with the Securities and Exchange Commission on February 22, 2019).

10.12 Sixth Amending Agreement to the Receivables Purchase Agreement, dated as of May 27, 2019 by and between First Insurance Funding of Canada Inc. and CIBC Mellon Trust, in its capacity as trustee of Plaza Trust, by its Financial Service Agent, Royal Bank of Canada (incorporated by reference to Exhibit 10.1 of the Company's Annual Report on Form 8-K filed with the Securities and Exchange Commission on May 30, 2019).

10.13 Seventh Amending Agreement, date as of January 15, 2020 by and between First Insurance Funding of Canada Inc. and CIBC Mellon Trust, in its capacity of Plaza Trust, by its Financial Service Agent, Royal Bank of Canada (incorporated by reference to Exhibit 10.1 of the Company's Annual Report on Form 8-K filed with the Securities and Exchange Commission on January 17, 2020).

10.14 Eighth Amending Agreement to the Receivables Purchase Agreement, dated May 20, 2020, by and between First Insurance Funding of Canada Inc. and CIBC Mellon Trust, in its capacity as trustee of the PLAZA Trust, by its Financial Service Agent, Royal Bank of Canada (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 26, 2020).

10.15 Ninth Amending Agreement to the Receivables Purchase Agreement, dated January 15, 2021, by and between First Insurance Funding of Canada Inc. and CIBC Mellon Trust, in its capacity as trustee of the PLAZA Trust, by its Financial Service Agent, Royal Bank of Canada (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2021).

10.16 Performance Guarantee, made as of December 16, 2014, by the Company in favor of CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.3 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 19, 2014).

10.17 Performance Guarantee Confirmation, made as of December 15, 2017, by the Company in favor of CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 18, 2017).

10.18 Performance Guarantee Confirmation, made as of June 28, 2018, by the Company in favor of CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 3, 2018).

10.19 Performance Guarantee Confirmation, made as of February 15, 2019, by the Company in favor of CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 22, 2019).

10.20 Performance Guarantee Confirmation, made as of May 27, 2019, by the Company in favor of CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 30, 2019).

10.22 Performance Guarantee Confirmation, made as of January 15, 2020, by the Company in favor of CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 17, 2020).

10.23 Performance Guarantee Confirmation, made as of May 20, 2020, by the Company in favor of CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 26, 2020).

10.24	Performance Guarantee Confirmation, made as of January 15, 2021, by the Company in favor of CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2021).
10.25	Fee Letter, dated May 27, 2019, between First Insurance Funding of Canada Inc. and CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 30, 2019).
10.26	Fee Letter, dated January 15, 2020, between First Insurance Funding of Canada Inc. and CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 17, 2020).
10.27	Fee Letter, dated May 20, 2020, between First Insurance Funding of Canada Inc. and CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 26, 2020).
10.28	Fee Letter, dated January 15, 2021, between First Insurance Funding of Canada Inc. and CIBC Mellon Trust Company, in its capacity as trustee of PLAZA Trust (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2021).
10.29	Junior Subordinated Indenture, dated as of August 2, 2005, between the Company and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).
10.30	Amended and Restated Trust Agreement, dated as of August 2, 2005, among the Company, as depositor, Wilmington Trust Company, as property trustee and Delaware trustee, and the Administrative Trustees listed therein (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).
10.31	Guarantee Agreement, dated as of August 2, 2005, between the Company, as Guarantor, and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).
10.32	Indenture, dated as of September 1, 2006, between the Company and LaSalle Bank National Association, as trustee (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2006).
10.33	Amended and Restated Declaration of Trust, dated as of September 1, 2006, among the Company, as depositor, LaSalle Bank National Association, as institutional trustee, Christiana Bank & Trust Company, as Delaware trustee, and the Administrators listed therein (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2006).
10.34	Guarantee Agreement, dated as of September 1, 2006, between the Company, as Guarantor, and LaSalle Bank National Association, as trustee (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 6, 2006).
10.35	Amended and Restated Employment Agreement, dated December 19, 2008, between the Company and Edward J. Wehmer, President and Chief Executive Officer (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*
10.36	Amended and Restated Employment Agreement, dated December 19, 2008, between the Company and David A. Dykstra, Senior Executive Vice President and Chief Operating Officer (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*
10.37	Amended and Restated Employment Agreement, dated December 19, 2008, between the Company and Richard B. Murphy, Executive Vice President and Chief Credit Officer (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*

10.38	Amended and Restated Employment Agreement, dated December 19, 2008, between the Company and David L. Stoehr, Executive Vice President and Chief Financial Officer (incorporated by reference to Exhibit 10.6 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on December 24, 2008).*
10.39	Employment Agreement, dated August 11, 2008, between the Company and Timothy Crane (incorporated by reference to Exhibit 10.18 of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2016).*
10.40	First Amendment to Employment Agreement, dated November 30, 2010, between the Company and Timothy Crane (incorporated by reference to Exhibit 10.19 of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2016).*
10.41	Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Appendix A of the Proxy Statement relating to the May 22, 1997 Annual Meeting of Shareholders of the Company).*
10.42	First Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2000).*
10.43	Second Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan adopted by the Board of Directors on January 24, 2002 (incorporated by reference to Exhibit 99.3 of the Company’s Registration Statement on Form S-8 filed with the Securities and Exchange Commission on July 1, 2004).*
10.44	Third Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan adopted by the Board of Directors on May 27, 2004 (incorporated by reference to Exhibit 99.4 of the Company’s Registration Statement on Form S-8 filed with the Securities and Exchange Commission on July 1, 2004).*
10.45	Wintrust Financial Corporation 2007 Stock Incentive Plan, as amended (incorporated by reference to Exhibit 4.6 to the Company’s Registration Statement on Form S-8, filed with the Securities and Exchange Commission on November 8, 2011).*
10.46	Wintrust Financial Corporation 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2015).*
10.47	Form of Nonqualified Stock Option Agreement under the Company’s 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.31 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2006).*
10.48	Form of Nonqualified Stock Option Agreement under the Company’s 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company’s Quarter Report on Form 10-Q for the quarter ended March 31, 2016).*
10.49	Form of Restricted Stock Unit Award Agreement under the Company’s 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.32 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2006).*
10.50	Form of Performance Share Unit Award - Stock Settled under the Company's 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).*
10.51	Form of Performance Award Agreement - Share Settled under the Company's 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).*
10.52	Form of Performance Share Unit Award - Cash Settled under the Company's 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).*

10.53	Form of Performance Share Unit Award - Cash Settled under the Company's 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).*
10.54	Form of Performance Award Agreement - Cash Settled under the Company's 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2016).*
10.55	Form of Performance Cash Award under the Company's 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013).*
10.56	Form of Performance Share Unit Award - Shares Settled - Deferral Option under the Company's 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.30 of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2016).*
10.57	Form of Performance Award Agreement - Cash Settled/Share Settled under the Company's 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.41 of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 28, 2018).*
10.58	Form of Performance Share Unit Award - Cash Settled - Deferral Option under the Company's 2007 Stock Incentive Plan (incorporated by reference to Exhibit 10.31 the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2016).*
10.59	Form of Restricted Share Unit Award Agreement under the Company's 2015 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 the Company's Quarterly Report on form 10-Q filed with the Securities and Exchange Commission on May 7, 2021).*
10.60	Form of Performance Award Agreement - Share Settled under the Company's 2015 Stock Inventive Plan (incorporated by reference to Exhibit 10.4 the Company's Quarterly Report on form 10-Q filed with the Securities and Exchange Commission on May 7, 2021).*
10.61	Wintrust Financial Corporation Employee Stock Purchase Plan, as amended (incorporated by reference to Annex A of the Company's definitive Proxy Statement filed with the Securities and Exchange Commission on April 24, 2012).*
10.62	Amended and Restated Wintrust Financial Corporation Employee Stock Purchase Plan, (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 25, 2018).*
10.63	Second Amended and Restated Wintrust Financial Corporation Employee Stock Purchase Plan, (incorporated by reference to Annex A to the Company's Definitive Proxy Statement on Schedule 14A, filed with the Securities and Exchange Commission on April 8, 2021).*
10.64	Wintrust Financial Corporation Directors Deferred Fee and Stock Plan (incorporated by reference to Appendix B of the Proxy Statement relating to the May 24, 2001 Annual Meeting of Shareholders of the Company).*
10.65	Wintrust Financial Corporation 2005 Directors Deferred Fee and Stock Plan, as amended and restated (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on July 29, 2014).*
10.66	Form of Cash Incentive and Retention Award Agreement under the Company's 2008 Long-Term Cash and Incentive Retention Plan with no Minimum Payout (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008).*
10.67	Form of Director Indemnification Agreement (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).
10.68	Form of Officer Indemnification Agreement (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2009).
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Registered Public Accounting Firm.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS	Inline XBRL Instance Document (1)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) Includes the following financial information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Condition, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WINTRUST FINANCIAL CORPORATION (Registrant)

February 25, 2022	By:	/s/ EDWARD J. WEHMER
		Edward J. Wehmer, Founder and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ H. PATRICK HACKETT, JR. H. Patrick Hackett, Jr.	Chairman of the Board of Directors	February 25, 2022
/s/ EDWARD J. WEHMER Edward J. Wehmer	Founder, Chief Executive Officer and Director (Principal Executive Officer)	February 25, 2022
/s/ DAVID L. STOEHR David L. Stoehr	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 25, 2022
/s/ ELIZABETH H. CONNELLY Elizabeth H. Connelly	Director	February 25, 2022
/s/ PETER D. CRIST Peter D. Crist	Director	February 25, 2022
/s/ BRUCE K. CROWTHER Bruce K. Crowther	Director	February 25, 2022
/s/ WILLIAM J. DOYLE William J. Doyle	Director	February 25, 2022
/s/ MARLA F. GLABE Marla F. Glabe	Director	February 25, 2022
/s/ SCOTT K. HEITMANN Scott K. Heitmann	Director	February 25, 2022
/s/ DEBORAH L. HALL LEFEVRE Deborah L. Hall Lefevre	Director	February 25, 2022
/s/ SUZET M. MCKINNEY Suzet M. McKinney	Director	February 25, 2022
/s/ GARY D. “JOE” SWEENEY Gary D. “Joe” Sweeney	Director	February 25, 2022
/s/ KARIN GUSTAFSON TEGLIA Karin Gustafson Teglia	Director	February 25, 2022
/s/ ALEX E. WASHINGTON, III Alex E. Washington, III	Director	February 25, 2022