WINTRUST FINANCIAL CORPORATION

MINUTES OF THE ANNUAL MEETING OF SHAREHOLDERS

Thursday, May 23, 2019

The 2019 Annual Meeting of Shareholders of Wintrust Financial Corporation (the "Company") was held at the Company's headquarters, 9700 West Higgins Road, 2nd Floor, Rosemont, Illinois, on Thursday, May 23, 2019, at approximately 9:00 a.m.

The Chairman of the Board, H. Patrick Hackett, Jr., presided over the meeting, and Kathleen M. Boege acted as Secretary to record the proceedings of the meeting.

The Chairman called the meeting to order and reviewed the agenda for the meeting.

The Chairman then introduced the Inspector of Election and the current members of the Company's Board of Directors who were seeking reelection, all of whom were present at the meeting. The Chairman also asked the members of the subsidiaries' Boards of Directors to stand and be recognized. He additionally acknowledged Zed S. Francis III and Sheila G. Talton for their service on the Board of Directors since 2015 and 2012, respectively.

The Chairman designated American Stock Transfer & Trust Company, LLC to act as Inspector of Election to count all votes cast and to report the results of the meeting. The Inspector of Election executed an Oath of Inspector of Election, which is annexed to and made a part of these minutes of the meeting.

The Chairman announced that a complete list of the shareholders of record as of the close of business on March 29, 2019 was available for inspection during the meeting. The Chairman noted that the list of shareholders had been made available at the Company's executive offices for the ten days preceding the meeting for examination by any shareholder during normal business hours.

The Chairman asked the Secretary to report on the mailing of the Notice of Annual Meeting of Shareholders dated April 5, 2019 (the "Notice") and the presence of a quorum. The Secretary reported that the meeting was held pursuant to the Notice together with appropriate proxy materials, which was sent on April 11, 2019 to each shareholder of record. The Notice and the related proxy materials, together with an Affidavit of Mailing signed by the Company's transfer agent, American Stock Transfer & Trust Company, LLC are filed with the records of the Company and are annexed to and made a part of these minutes.

The Secretary further reported that holders of in excess of 48.9 million shares of Common Stock of the Company, exceeding 86.4% of the 56,638,968 shares entitled to vote at the meeting were present, in person or represented by proxy. Accordingly, the Chairman declared that a quorum existed for purposes of transacting business at the meeting. The Chairman waived the reading of the minutes of the 2018 Annual Meeting of Shareholders, copies of which were available for inspection at the meeting.

The first order of business to be considered and acted upon was the election of Directors. Mr. Hackett noted that the Shareholders were being asked to elect twelve members to the Board of Directors of the Company to hold office with a term expiring at the Annual Meeting of Shareholders in the year 2020, or until their successors were elected and qualified. Mr. Hackett discussed the work of the Board of Directors during the prior year. The twelve nominees were as follows:

Peter D. Crist
Bruce K. Crowther
William J. Doyle
Marla F. Glabe
H. Patrick Hackett, Jr.
Scott K. Heitmann

Deborah L. Hall Lefevre

Christopher J. Perry

Ingrid S. Stafford

Gary D. "Joe" Sweeney

Karin Gustafson Teglia

Edward J. Wehmer

The meeting proceeded to a vote by ballot for the election of Directors. The Inspector of Election received the ballots cast at the meeting and the proxies filed at the meeting and began tabulating the votes.

The meeting then proceeded to a vote by ballot for the proposal to consider an advisory (non-binding) basis proposal approving the Company's 2018 executive compensation as described in the Company's Proxy Statement. The Inspector of Election received the ballots cast at the meeting and the proxies filed at the meeting and began tabulating the votes.

The meeting proceeded, as the votes were being tabulated, to the third order of business which was the voting on the proposal to ratify the appointment of Ernst & Young LLP to serve as the independent registered public accounting firm for fiscal year 2019. The Inspector of Election received the ballots cast at the meeting and the proxies filed at the meeting and began tabulating the votes.

As the votes continued to be tabulated, Mr. Hackett introduced the senior management of the Company and its subsidiaries, as well as the Company's professional advisors that were present at the meeting.

Next, the Chairman called upon the Inspector of Election to provide the results of the tabulation of the matters put to a vote at this meeting.

The Inspector tabulated the results and reported that a majority of the shares present and voting at the meeting were cast in favor of electing each of the twelve director nominees. The Certificate and Report of the Inspector of Election (the "Inspector's Certificate") containing the exact number of votes cast for each director is attached hereto and made a part hereof.

Accordingly, the Chairman then declared that each of the above-named nominees was duly elected as a member of the Board of Directors of the Company by a majority of the votes cast at the meeting, there being no other nominees proposed for election.

The Inspector tabulated the results and reported that a majority of the shares present and entitled to vote at the meeting were cast in favor of the advisory (non-binding) basis proposal to approve the Company's 2018 executive compensation as described in the Proxy Statement. The Inspector's Certificate containing the exact number of votes cast for the proposal is attached hereto and made a part hereof.

Accordingly, the Chairman then declared that the proposal to approve the Company's 2018 executive compensation as described in the Proxy Statement was therefore approved.

The Inspector tabulated the results and reported that a majority of the shares present and entitled to vote at the meeting were cast in favor of ratifying the appointment of Ernst & Young LLP to serve as the independent registered public accountant for fiscal year 2019. The Inspector's Certificate containing the exact number of votes cast for the proposal is attached hereto and made a part hereof.

Accordingly, the Chairman then declared that the proposal to ratify the appointment of Ernst & Young LLP to serve as the independent registered public accountant for fiscal year 2019 was therefore approved.

There being no further business to come before the meeting, upon motion duly made and seconded, it was voted to adjourn the formal meeting.

Kathleen M. Boege, Secretary

Wintrust Financial Corporation

2019 Annual Meeting of Shareholders
Oath of Inspector of Election

I, the undersigned, the duly appointed Inspector of Election for Wintrust Financial Corporation, do hereby certify that I will inspect and report to the best of my ability, with complete impartiality all votes presented to me and report those totals as requested at this Annual Meeting, May 23, 2019.

American Stock Transfer & Trust Company, LLC

Signature: ______________________

Print Name: Kimberlee A. Koskiewicz

Dated as of : May 23, 2019

Subscribed and sworn to me this
23rd day of May, 2019.

____
Witness

STATE OF NEW YORK)
COUNTY OF KINGS) ss.:

AFFIDAVIT OF MAILING

I, DOMENICK VACCA, BEING DULY SWORN, DEPOSE AND STATE THE FOLLOWING:

1. I AM EMPLOYED AT AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC ("AST"), AND I HAVE PERSONAL KNOWLEDGE OF THE MATTERS REFERRED TO HEREIN.

2. ON APRIL 11, 2019, I MAILED, OR CAUSED TO BE MAILED, TO SHAREHOLDERS OF RECORD AS OF MARCH 29, 2019, OF WINTRUST FINANCIAL CORPORATION ("THE ISSUER"), AT THE ADDRESS PROVIDED IN AST RECORDS, THE FOLLOWING MATERIALS RELATING TO WINTRUST FINANCIAL CORPORATION, FOR THE UPCOMING MEETING TO BE HELD ON MAY 23, 2019:

   FOR SHAREHOLDERS NOT REQUESTING MATERIAL:
   NOTICE OF AVAILABILITY

   FOR SHAREHOLDERS REQUESTING MATERIAL:
   PROXY CARD
   BUSINESS RETURN ENVELOPE
   NOTICE AND PROXY STATEMENT
   ANNUAL REPORT ON FORM 10-K
   SHAREHOLDER LETTER

3. ATTACHED HERETO AND MARKED ARE THE AFOREMENTIONED EXHIBITS.

DOMENICK VACCA

IN WITNESS WHEREOF, I HAVE HEREUNTO SUBSCRIBED MY NAME AND AFFIXED MY OFFICIAL SEAL THIS 12TH DAY OF APRIL, 2019.

NOTARY PUBLIC

Lisa Garibaj

Lisa Garibaj
Notary Public, New York State
No. 24-4890337
Qualified in Kings County
Commission Expires 4/27/2019

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting of

WINTRUST FINANCIAL CORPORATION

To Be Held On:

May 23, 2019 at 9:00 a.m. (Central Time)

at 9700 West Higgins Road, 2nd Floor, Rosemont, Illinois 60018

COMPANY NUMBER	
ACCOUNT NUMBER	
CONTROL NUMBER	

This communication presents only an overview of the more complete proxy materials that are available to you on the Internet. We encourage you to access and review all of the important information contained in the proxy materials before voting.

If you want to receive a paper or e-mail copy of the proxy materials you must request one. There is no charge to you for requesting a copy. To facilitate timely delivery please make the request as instructed below before May 13, 2019.

Please visit https://materials.proxyvote.com/97650W, where the following materials are available for view:

- Notice of Annual Meeting of Shareholders
- Proxy Statement
- Form of Electronic Proxy Card
- Annual Report on Form 10-K
- Annual Letter to Shareholders

TO REQUEST MATERIAL: **TELEPHONE: 888-Proxy-NA (888-776-9962) or 718-921-8562 (for international callers)**

E-MAIL: info@astfinancial.com

WEBSITE: https://us.astfinancial.com/OnlineProxyVoting/ProxyVoting/RequestMaterials

TO VOTE:

ONLINE: To access your online proxy card, please visit www.voteproxy.com and follow the on-screen instructions or scan the QR code with your smartphone. You may enter your voting instructions at www.voteproxy.com up until 11:59 PM Eastern Time the day before the meeting date.

IN PERSON: You may vote your shares in person by attending the Annual Meeting.

TELEPHONE: To vote by telephone, please visit www.voteproxy.com to view the materials and to obtain the toll free number to call.

MAIL: You may request a card by following the instructions above.

1. Election of Directors
   - Peter D. Crist
   - Bruce K. Crowther
   - William J. Doyle
   - Marla F. Glabe
   - H. Patrick Hackett, Jr.
   - Scott K. Heitmann
   - Deborah L. Hall Lefevre
   - Christopher J. Perry
   - Ingrid S. Stafford
   - Gary D. "Joe" Sweeney
   - Karin Gustafson Teglia
   - Edward J. Wehmer

2. Proposal to approve, on an advisory (non-binding) basis, the Company's executive compensation as described in the 2019 Proxy Statement.

3. Proposal to ratify the appointment of Ernst & Young LLP to serve as the independent registered public accounting firm for fiscal year 2019.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE DIRECTORS, AND "FOR" PROPOSALS 2 AND 3.

This is not a ballot. Please note that you cannot use this notice to vote by mail.

ANNUAL MEETING OF SHAREHOLDERS OF

WINTRUST FINANCIAL CORPORATION

May 23, 2019

GO GREEN

e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.astfinancial.com to enjoy online access.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:
The Notice of Annual Meeting of Shareholders, Proxy Statement, Form of Electronic Proxy Card, Annual Report on Form 10-K and Annual Letter to Shareholders are available at https://materials.proxyvote.com/97650W

Please sign, date and mail your proxy card in the envelope provided as soon as possible.

↓ Please detach along perforated line and mail in the envelope provided. ↓

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE DIRECTORS, AND "FOR" PROPOSALS 2 AND 3.
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ☒

1. Election of Directors

	FOR	AGAINST	ABSTAIN
Peter D. Crist	☐	☐	☐
Bruce K. Crowther	☐	☐	☐
William J. Doyle	☐	☐	☐
Marla F. Glabe	☐	☐	☐
H. Patrick Hackett, Jr.	☐	☐	☐
Scott K. Heitmann	☐	☐	☐
Deborah L. Hall Lefevre	☐	☐	☐
Christopher J. Perry	☐	☐	☐
Ingrid S. Stafford	☐	☐	☐
Gary D. "Joe" Sweeney	☐	☐	☐
Karin Gustafson Teglia	☐	☐	☐
Edward J. Wehmer	☐	☐	☐
2. Proposal to approve, on an advisory (non-binding) basis, the Company's executive compensation as described in the 2019 Proxy Statement.	☐	☐	☐
3. Proposal to ratify the appointment of Ernst & Young LLP to serve as the independent registered public accounting firm for fiscal year 2019.	☐	☐	☐

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ☐

Signature of Shareholder ____________ Date: ________ Signature of Shareholder ____________ Date: ________

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

WINTRUST FINANCIAL CORPORATION

Proxy for Annual Meeting of Shareholders on May 23, 2019

Solicited on Behalf of the Board of Directors

The undersigned hereby appoints H. Patrick Hackett, Jr. and Edward J. Wehmer and each of them, with full power of substitution and power to act alone, as proxies to vote all the shares of common stock which the undersigned would be entitled to vote if personally present and acting at the Annual Meeting of Shareholders of Wintrust Financial Corporation, to be held May 23, 2019 at the Company's corporate headquarters at 9700 West Higgins Road, 2nd Floor, Rosemont, Illinois 60018, and at any adjournments or postponements thereof, as designated on the reverse side of this form.

If no other indication is made on the reverse side of this form, the proxies shall vote "FOR" the election of the directors, and "FOR" proposals 2 and 3.

(Continued and to be signed on the reverse side.)

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

BUSINESS REPLY MAIL

FIRST-CLASS MAIL PERMIT NO. 391 BROOKLYN NY

POSTAGE WILL BE PAID BY ADDRESSEE

OPERATIONS CENTER
AMERICAN STOCK TRANSFER & TRUST COMPANY LLC
6201 15TH AVE
BROOKLYN NY 11219-9821

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement

☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

☒ Definitive Proxy Statement

☐ Definitive Additional Materials

☐ Soliciting Material under § 240.14a-12

Wintrust Financial Corporation

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

WINTRUST FINANCIAL CORPORATION
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON MAY 23, 2019

To the Shareholders of Wintrust Financial Corporation:

You are cordially invited to attend the 2019 Annual Meeting of Shareholders (the "Annual Meeting") of Wintrust Financial Corporation (the "Company") to be held at our offices located at 9700 West Higgins Road, 2nd Floor, Rosemont, Illinois 60018, on Thursday, May 23, 2019, at 9:00 a.m. Central Time, for the following purposes:

1. To elect the 12 nominees for director named in this Proxy Statement to hold office until the 2020 Annual Meeting of Shareholders or until a successor has been elected and qualified;
2. To approve, on an advisory (non-binding) basis, the Company's executive compensation as described in this Proxy Statement;
3. To ratify the appointment of Ernst & Young LLP to serve as the independent registered public accounting firm for fiscal year 2019; and
4. To transact such other business as may properly come before the meeting and any adjournment thereof.

The record date for determining shareholders entitled to notice of, and to vote at, the Annual Meeting was the close of business on March 29, 2019. We encourage you to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, prompt voting will be appreciated.

Two of our current directors, Sheila G. Talton and Zed S. Francis III, are not standing for re-election this year. Ms. Talton and Mr. Francis have been valued members of our Board of Directors since 2012 and 2015, respectively, and I ask that you join the Board of Directors in thanking them for their service to the Company.

By order of the Board of Directors,

Kathleen M. Boege
Corporate Secretary

April 5, 2019

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, IT IS IMPORTANT THAT YOU VOTE BY ONE OF THE METHODS NOTED IN THE ATTACHED PROXY STATEMENT.

Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting of Shareholders to be Held on May 23, 2019:
This Notice of the Annual Meeting, Proxy Statement and the
2018 Annual Report on Form 10-K are Available at:
https://materials.proxyvote.com/97650W

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WINTRUST FINANCIAL CORPORATION

9700 West Higgins Road, Suite 800

Rosemont, Illinois 60018

PROXY STATEMENT

FOR THE 2019 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD THURSDAY, MAY 23, 2019

These proxy materials are furnished in connection with the solicitation by the Board of Directors (the "Board" with individual members of the Board each being referred to herein as a "Director") of Wintrust Financial Corporation, an Illinois corporation ("Wintrust" or the "Company"), of proxies to be used at the 2019 Annual Meeting and at any adjournment of such meeting. In accordance with rules and regulations of the Securities and Exchange Commission (the "SEC"), instead of mailing a printed copy of our proxy materials to each shareholder of record, we furnish proxy materials, which include this Proxy Statement (this "Proxy Statement") and the accompanying proxy card, Notice of Annual Meeting, and Annual Report on Form 10-K for fiscal year ended December 31, 2018, to our shareholders by making such materials available on the Internet unless otherwise instructed by the shareholder. If you received a Notice of Internet Availability of Proxy Materials (the "Notice") by mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the Notice, which is first being mailed to shareholders on or about April 11, 2019.

ABOUT THE MEETING

When and where is the Annual Meeting?

The Annual Meeting will be held on Thursday, May 23, 2019 at 9:00 a.m. Central Time at the Company's corporate headquarters at 9700 West Higgins Road, 2nd Floor, Rosemont, Illinois 60018.

What is the purpose of the Annual Meeting?

At the Annual Meeting, shareholders will act upon the matters described in the Notice of Annual Meeting that accompanies this Proxy Statement, including the election of the 12 nominees for Director named in this Proxy Statement, a proposal approving (on an advisory basis) the Company's executive compensation as described in this Proxy Statement, and the ratification of the Audit Committee's appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2019.

Who may vote at the Annual Meeting?

Only record holders of our Common Stock, no par value per share ("Common Stock"), as of the close of business on March 29, 2019 (the "Record Date"), will be entitled to vote at the meeting. On the Record Date, the Company had outstanding approximately 56,638,968 shares of Common Stock. Each outstanding share of the Common Stock entitles the holder to one vote.

What constitutes a quorum?

The Annual Meeting will be held only if a quorum is present. A quorum will be present if a majority of the shares of the Common Stock issued and outstanding on the Record Date are represented, in person or by proxy, at the Annual Meeting. Shares represented by properly completed proxy cards marked "abstain" or returned without voting instructions are counted as present for the purpose of determining whether a quorum is present at the Annual Meeting. Also, if shares are held by brokers who submit a proxy but are prohibited from exercising discretionary authority for beneficial owners who have not given voting instructions on certain matters ("broker non-votes"), those shares will be counted as present for the purpose of determining whether a quorum is present at the Annual Meeting.

How do I submit my vote?

If you are a shareholder of record, you can vote by:

- attending the Annual Meeting and voting by ballot;
- using your telephone, according to the instructions on the Notice or proxy card;
- visiting www.voteproxy.com and then following the instructions on the screen; or
- signing, dating and mailing in your proxy card which may be obtained by calling 888-proxyna (888-776-9962) or by emailing info@astfinancial.com.

The deadline for voting by telephone or on the Internet is 11:59 p.m. Eastern Time on May 22, 2019. Proxy cards submitted by mail must be received by the close of business on May 22, 2019.

How do I vote if I hold my shares through a broker, bank or other nominee?

If you hold your shares through a broker, bank or other nominee, that institution will instruct you as to how your shares may be voted by proxy, including whether telephone or Internet voting options are available. If you hold your shares through a broker, bank or other nominee and would like to vote in person at the Annual Meeting, you must first obtain a proxy issued in your name from the institution that holds your shares and bring that proxy to the Annual Meeting.

Can I change or revoke my vote after I return my proxy card?

Yes. If you are a shareholder of record, you may change your vote by:

- voting in person by ballot at the Annual Meeting;
- returning a later-dated proxy card;
- entering a new vote by telephone or on the Internet (prior to 11:59 p.m. Eastern Time on May 22, 2019); or
- delivering written notice of revocation to the Company's Corporate Secretary by mail at 9700 West Higgins Road, Suite 800, Rosemont, Illinois 60018.

If you vote by phone or Internet, you may change your vote if you do so prior to 11:59 p.m. Eastern Time on May 22, 2019. Any later-dated proxy card or revocation sent by mail must be received by the close of business on May 22, 2019. If you hold your shares through an institution, that institution will instruct you as to how your vote may be changed.

Who will count the votes?

The Company's Inspector of Election, American Stock Transfer & Trust Company, LLC, will count the votes.

Will my vote be kept confidential?

Yes. As a matter of policy, shareholder proxies, ballots and tabulations that identify individual shareholders are kept secret and are available only to the Company, its tabulator and inspectors of election, who are required to acknowledge their obligation to keep your votes confidential.

Who pays to prepare, mail and solicit the proxies?

The Company pays all of the costs of preparing, mailing and soliciting proxies. The Company asks brokers, banks, voting trustees and other nominees and fiduciaries to forward proxy materials to the beneficial owners and to obtain authority to execute proxies. The Company will reimburse the brokers, banks, voting trustees and other nominees and fiduciaries upon request. In addition to solicitation by mail, telephone, facsimile, Internet or personal contact by its officers and employees, the Company has retained the services of Morrow Sodali LLC, 470 West Avenue, Third Floor, Stamford, Connecticut 06902, to solicit proxies for a fee of $7,000 plus expenses.

What are the Board's recommendations as to how I should vote on each proposal?

The Board recommends a vote:

- FOR the election of each of the 12 Director nominees named in this Proxy Statement;
- FOR the approval, on an advisory (non-binding) basis, of the Company's executive compensation as described in this Proxy Statement; and
- FOR the ratification of the Audit Committee's appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2019.

How will my shares be voted if I sign, date and return my proxy card?

If you sign, date and return your proxy card and indicate how you would like your shares voted, your shares will be voted as you have instructed. If you sign, date and return your proxy card but do not indicate how you would like your shares voted, your proxy will be voted:

- FOR the election of each of the 12 Director nominees named in this Proxy Statement;

- FOR the approval, on an advisory (non-binding) basis, of the Company’s executive compensation as described in this Proxy Statement; and
- FOR the ratification of the Audit Committee’s appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for fiscal year 2019.

With respect to any other business that may properly come before the meeting, or any adjournment of the meeting, that is submitted to a vote of the shareholders, including whether or not to adjourn the meeting, your shares will be voted in accordance with the best judgment of the persons voting the proxies.

How will broker non-votes be treated?

A broker non-vote occurs when a broker who holds its customer’s shares in street name submits proxies for such shares, but indicates that it does not have authority to vote on a particular matter. Generally, this occurs when brokers have not received any instructions from their customers. In these cases, the brokers, as the holders of record, are permitted to vote on “routine” matters only, but not on other matters. In this Proxy Statement, brokers who have not received instructions from their customers would only be permitted to vote on:

- the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2019.

Brokers who have not received instructions from their customers would not be permitted to vote on the remaining proposals to be presented at the Annual Meeting, which are considered "non-routine" matters.

We will treat broker non-votes as present to determine whether or not we have a quorum at the Annual Meeting, but they will not be treated as entitled to vote on the "non-routine" matters described above, for which the broker indicates it does not have discretionary authority.

How will abstentions be treated?

For purposes of determining whether or not we have a quorum at the Annual Meeting, if you vote to abstain, your shares will be counted as present at the Annual Meeting.

If you abstain from voting for one or more of the nominees for Director, this will have the same effect as a vote against such nominee. If you abstain from voting on the advisory (non-binding) proposal approving the Company’s executive compensation as described in this Proxy Statement, or on the ratification of the Audit Committee’s appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for fiscal year 2019, your abstention will have the same effect as a vote against the proposal or proposals on which you abstain from voting.

What if other matters come up during the Annual Meeting?

If any matters other than those referred to in the Notice of Annual Meeting properly come before the Annual Meeting, the individuals named in the proxy card will vote the proxies held by them in accordance with their best judgment. The Company is not aware of any business other than the items referred to in the Notice of Annual Meeting that may be considered at the Annual Meeting.

Your vote is important. Because many shareholders cannot personally attend the Annual Meeting, it is necessary that a large number be represented by proxy. Whether or not you plan to attend the meeting in person, prompt voting will be appreciated. Registered shareholders can vote their shares via the Internet or by using a toll-free telephone number. Instructions for using these convenient services are provided on the proxy card. Of course, you may still vote your shares by submitting the proxy card. A proxy card may be obtained as instructed above under “How do I submit by vote?” If you chose to vote by mail, we ask that you complete, sign, date and return the proxy card promptly in the postage-paid envelope.

BOARD OF DIRECTORS, COMMITTEES AND GOVERNANCE

Board of Directors

Overview

The Board provides oversight with respect to our overall performance, strategic direction and key corporate policies. It approves major initiatives, advises on key financial and business objectives, and monitors progress with respect to these matters. Members of the Board are kept informed of our business by various reports and documents provided to them on a regular basis, including operating and financial reports made at Board and committee meetings by the Chief Executive Officer ("CEO") and other officers. The Board has seven standing committees. The principal responsibilities of the standing committees are described under the applicable committee headings below. Additionally, the independent Directors meet in regularly scheduled executive sessions, with and without management present, at each meeting of the Board and its committees.

Corporate Governance Practices

We believe that a culture of strong corporate governance is a critical component of our success. Our Board continually evaluates corporate governance developments and strives to adopt "best practices" including:

- **Annual election of Directors.**
- **Independent Chairman of the Board.**
- **Independent Board.** Our Board is comprised of all independent Directors, except our CEO.
- **Majority vote standard for election of our Directors.**
- **Independent Board committees.** Each of our committees (other than the Executive Committee) is made up entirely of independent Directors. Each standing committee operates under a written charter that has been approved by the respective committee, the Nominating and Corporate Governance Committee (the "Nominating Committee") and the Board.
- **Regular executive sessions of independent Directors.** At each meeting of the Board and each of its Committees, the Directors meet without management present in regularly scheduled executive sessions of independent Directors.
- **Regular Board self-evaluation process.** The Board and each committee evaluate its performance on an annual basis.
- **Service by the majority of our Directors on the boards of our subsidiary banks or other operating subsidiaries.** We believe this dual service gives our Directors a robust view into our operations and performance.
- **Limitation on other outside board service.** We limit our Directors to serve on no more than four other public company boards.

- **Retirement Age.** We have a policy that we will not nominate a candidate for Director if he or she has attained the age of 76 before the election.
- **Robust code of ethics.** Our corporate code of ethics applies to all of our employees, including our Directors and executive officers. We also have an additional code of ethics applicable to our senior financial officers.
- **Robust role for the Board in risk oversight.** Our Board and its committees play an active and ongoing role in the management of the risks of our business.
- **Stock ownership guidelines for Directors and named executive officers.** Our Directors and named executive officers each must maintain a significant ownership of our Common Stock in order to increase alignment of their interests with those of our shareholders.
- **Prohibition on hedging, short selling and pledging.** Our Directors and executive officers are prohibited from engaging in selling short our Common Stock, engaging in hedging or offsetting transactions regarding our Common Stock or pledging our Common Stock.
- **No shareholder rights plan (poison pill).**

Meetings

The Board met seven times in 2018. Each member of the Board attended more than 80% of the total number of meetings of the Board and the committees on which he or she served. We encourage, but do not require, our Board members to attend annual meetings of shareholders. All of our Board members then in office attended our 2018 Annual Meeting of Shareholders.

Board Leadership Structure

The Board has a non-executive Chairman. This position is independent from management. The Chairman leads the Board meetings as well as meetings of the independent Directors. The CEO is a member of the Board and participates in its meetings. The Board believes that this leadership structure is appropriate for the Company at this time because it allows for independent oversight of management, increases management accountability and encourages an objective evaluation of management's performance relative to compensation. In addition, the Board recognizes that acting as Chairman of the Board is a particularly time-intensive responsibility. Separating these roles allows the CEO to focus solely on his duties, which the Board believes better serves the Company. Separation of the roles of Chairman and CEO also promotes risk management, enhances the independence of the Board from management, and mitigates potential conflicts of interest between the Board and management. In order to ensure continuity of leadership, the Company has a policy set forth in its Corporate Governance Guidelines providing that each non-executive Chairman may serve for a term of not more than nine (9) consecutive years, subject to the requirement that he or she be re-elected as Chairman annually by the Board. The Nominating Committee has proposed, and the Board has agreed, that pending his re-election, H. Patrick Hackett, Jr. will continue to serve as non-executive Chairman of the Board following the Annual Meeting.

The Board's Role in Risk Oversight

Our Board has an active and ongoing role in the management of the risks of our business. This role has two fundamental elements: (1) ensuring that management of the Company has implemented an appropriate system to manage risks by identifying, assessing, mitigating, monitoring and communicating about risks; and (2) providing effective risk oversight through the Board and its committees.

The Board believes the first element of its risk oversight role is fulfilled through the Company's extensive risk assessment and management program designed to identify, monitor, report and control the Company's risks, which are broken down into various categories deemed relevant to the Company and its business operations. The Enterprise Risk Management Program is administered by the Company's Senior Vice President — Chief Risk Officer, who provides reports to the Board, the Audit Committee and the Risk Management Committee on a regular basis and other committees of the Board as needed.

The second element of the Board's oversight role is fulfilled primarily by the full Board regularly receiving written and oral reports from management on the status of various categories of Company risk and on the Company's overall risks as well as any material changes or developments in risk profiles or experiences. Through this process, our Board reviews and assesses information regarding cybersecurity risks with management. The Board also periodically receives reports regarding regulatory priorities and reviews regulatory examination reports of the Company to remain informed on issues and observations raised by regulatory authorities regarding the risk categories of the Company.

In addition to the full Board's direct oversight, the Board's committees provide oversight of various risks created by the Company's operations. The Audit Committee provides oversight of the monitoring of risk, generally, and oversight of financial, regulatory, operational and legal risks, in particular. The Risk Management Committee monitors, among other things, overall enterprise risk management, credit, interest rate, liquidity and market risks. The Finance Committee provides oversight of risks related to strategic transactions and reviews risks associated with the Company's capital planning strategy and liquidity. The Information Technology & Information Security Committee ("IT/IS Committee") provides oversight of risks related to the Company's information technology and information security strategy, infrastructure, systems, business continuity planning and disaster recovery plans and testing. The IT/IS Committee and the Audit Committee coordinate regarding oversight of the Company's information security programs. The Nominating Committee provides risk oversight relating to the Company's board and governance. The Compensation Committee provides oversight of risks related to the Company's compensation of its employees. In addition, the Audit Committee, Finance Committee and Risk Management Committee have each undertaken to monitor relevant portions of the risks relating to the capital stress testing process.

Codes of Ethics

The Board has adopted our Corporate Code of Ethics applicable to all Directors, officers and employees, and our Senior Financial Officer Code of Ethics (together with the Corporate Code of Ethics, the "Codes") each of which is available on the Company's website at www.wintrust.com by choosing "Investor Relations" and then choosing "Corporate Governance." To assist in enforcement of the Codes, we maintain Wintrust's Ethicspoint, a toll-free hotline and Internet-based service through which confidential complaints may be made by employees regarding illegal or fraudulent activity; questionable accounting, internal controls or auditing matters; conflicts of interest, dishonest or unethical conduct; disclosures in the Company's reports filed with the SEC, bank regulatory filings and other public disclosures that are not full, fair, accurate, timely or understandable; violations of our Codes; and/or any other violations of laws, rules or regulations. Any complaints submitted through this process are presented to the Audit Committee on a regular, periodic basis or more frequently as needed. The Company will post on its website any amendments to, or waivers from, the Codes as they apply to its Directors and executive officers to the extent required by the rules of the Securities and Exchange Commission ("SEC") or the Nasdaq stock market ("NASDAQ").

Shareholder Communications

Any shareholder or other interested parties who desires to contact the non-employee Directors or the other members of our Board may do so by writing to: Wintrust Financial Corporation, Board of Directors, c/o the Corporate Secretary, Wintrust Financial Corporation, 9700 West Higgins Road, Suite 800, Rosemont, Illinois 60018. Copies of written communications received at this address will be provided to the Board, the applicable committee chair or the non-employee Directors as a group unless such communications are considered, in consultation with the non-employee Directors, to be improper for submission to the intended recipient(s). All communications will be forwarded to the Chair of the Nominating Committee unless the communication is specifically addressed to another member of the Board, in which case, the communication will be forwarded to that Director. Shareholders also may obtain a copy of any of the documents posted to the website free of charge by calling (847) 939-9000 and requesting a copy. Information contained on Wintrust's website is not deemed to be a part of this Proxy Statement.

Committee Membership

The following table summarizes the current membership of the Board and each of its committees as of the date of this Proxy Statement:

Board of Directors	Nominating and Corporate Governance Committee	Audit Committee	Compensation Committee	Risk Management Committee	Finance Committee	Information Technology/ Information Security Committee	Executive Committee
Peter D. Crist	Chair		Member		Member		Member
Bruce K. Crowther			Chair		Member	Member	Member
William J. Doyle	Member		Member		Member		
Zed S. Francis III*		Member		Member			
Marla F. Glabe	Member	Member		Member			
H. Patrick Hackett, Jr. (Chair)	Member				Member		Chair
Scott K. Heitmann		Member		Chair		Member	Member
Christopher J. Perry				Member	Chair		Member
Ingrid S. Stafford		Chair		Member		Member	Member
Gary D. Sweeney	Member	Member	Member				
Sheila G. Talton*				Member		Chair	Member
Edward J. Wehmer							Member

* Mr. Francis and Ms. Talton are not standing for re-election at the Annual Meeting.

The Nominating Committee has proposed, and the Board has agreed, that the membership of the Board and each of its committees following the Annual Meeting, assuming each Director nominee is elected, shall be as follows:

Board of Directors	Nominating and Corporate Governance Committee	Audit Committee	Compensation Committee	Risk Management Committee	Finance Committee	Information Technology/ Information Security Committee	Executive Committee
Peter D. Crist	Chair		Member		Member		Member
Bruce K. Crowther			Chair		Member	Member	Member
William J. Doyle	Member		Member		Member		
Marla F. Glabe	Member	Member		Member			
H. Patrick Hackett, Jr. (Chair)	Member				Member		Chair
Scott K. Heitmann		Member		Chair		Member	Member
Deborah L. Hall Lefevre*						Chair	Member
Christopher J. Perry				Member	Chair		Member
Ingrid S. Stafford		Chair		Member		Member	Member
Gary D. Sweeney	Member	Member	Member				
Karin Gustafson Teglia*		Vice Chair		Member		Member	
Edward J. Wehmer							Member

* Ms. Hall Lefevre and Ms. Teglia are nominees for election to the Board at the Annual Meeting.

The Board adopted the charter of each of the Nominating Committee, the Audit Committee, the Compensation Committee, the Risk Management Committee, the Finance Committee, the IT/IS Committee and the Executive Committee, copies of which are available at www.wintrust.com by choosing "Investor Relations" and then choosing "Corporate Governance." Our Corporate Governance Guidelines are also available on the Company's website under the same heading.

Nominating and Corporate Governance Committee

The Board has established the Nominating Committee which is responsible for the following, among other responsibilities:

- determining criteria for the selection and qualification of the members of the Board and reviewing with the Board the appropriate skills and characteristics required of the Board members;
- identifying, evaluating and recommending candidates to fill positions on the Board;
- seeking out possible candidates and otherwise aid in attracting highly qualified candidates to serve on the Board and coordinating with the CEO to the extent the Nominating Committee deems appropriate;
- evaluating the independence of each member of the Board and establishing procedures for the regular ongoing reporting by Directors of any developments that may be deemed to affect their independence status or qualification to serve as a Director;
- considering any resignation submitted by a Director who has experienced a significant change to his or her personal circumstances;

- reviewing the corporate governance guidelines and code of ethics and recommending modifications thereto to the Board;
- advising the Board with respect to the size, composition and individual members of the various committees of the Board and the functions of the Board and its committees;
- establishing and implementing self-evaluation procedures for the Board and its committees;
- assessing and reviewing with management the overall effectiveness of the organization of the Board and the conduct of its business and making appropriate recommendations to the Board with regard thereto;
- reviewing shareholder proposals submitted for business to be conducted at an annual meeting;
- in consultation with the Audit Committee, reviewing related-party transactions;
- reviewing annually Director compensation and recommending modifications thereto to the Board;
- reviewing insurance policies and indemnification arrangements applicable to the Directors and executive officers and recommending modifications thereto to the Board;
- considering from time to time the overall relationship of the Board and management;
- reviewing and assessing annually the adequacy of the Executive Committee Charter and, if appropriate, recommending changes to the Board for approval; and
- reviewing and assessing annually the adequacy of the Nominating Committee Charter and, if appropriate, recommending changes to the Board for approval.

The Nominating Committee consists of five Directors, and the Board has determined that each of these Directors has no material relationship with the Company and is otherwise independent under the applicable NASDAQ listing standards. During 2018, the Nominating Committee met four times.

Nomination of Directors

The Nominating Committee seeks nominees from diverse professional backgrounds who combine a broad spectrum of experience and expertise with a reputation for integrity. In doing so, the Nominating Committee considers a wide range of factors in evaluating the suitability of director candidates, including a general understanding of finance and other disciplines relevant to the success of a publicly-traded company in today's business environment, understanding of our business, education and professional background. The following personal characteristics are considered minimum qualifications for Board membership under the Corporate Governance Guidelines approved by the Board: integrity and accountability, the ability to provide informed judgments on a wide range of issues, financial literacy, a good reputation in the business community, a talent for networking and referring business to the Company, a history of achievements that reflects high standards for themselves and others, and willingness to raise tough questions in a manner that encourages open discussion. On October 25, 2018, the Board approved an increase in the annual retainer fee from $75,000 to $115,000, effective

January 1, 2019. Under the Corporate Governance Guidelines adopted by the Board, Directors are expected to own Common Stock having a value of at least four times the annual retainer fee, which is $115,000 for fiscal year 2019, within four years of becoming a Director, and to limit board service at other companies to no more than four other public company boards.

The Nominating Committee believes in an expansive definition of diversity that includes differences of experience, education and talents, among other things. While the Nominating Committee does not have a formal policy in this regard, the diversity of the Board is a consideration in evaluating candidates for the Board, among others, as set forth in our Corporate Governance Guidelines.

The Nominating Committee also evaluates the performance of Directors and assesses the effectiveness of committees and the Board as a whole. The effectiveness of the nomination process is evaluated by the Board each year as part of its self-evaluation process and by the Nominating Committee as it evaluates and identifies director candidates.

The Nominating Committee does not have any single method for identifying director candidates but will consider candidates suggested by a wide range of sources. The Nominating Committee will consider director candidates recommended by our shareholders and will apply the same standards in considering director candidates recommended by shareholders as it applies to other candidates. Once the Nominating Committee receives a recommendation from a shareholder, it may request additional information from the candidate about the candidate's independence, qualifications and other information that would assist the Nominating Committee in evaluating the candidate, as well as certain information that must be disclosed about the candidate in the Company's proxy statement, if nominated.

Shareholders may also directly nominate a candidate for Director pursuant to the advance notice provisions of the Company's By-laws. Nominations must be received in writing at the principal executive offices of the Company and addressed to Wintrust Financial Corporation, Nominating and Corporate Governance Committee, c/o Corporate Secretary, 9700 West Higgins Road, Suite 800, Rosemont, Illinois 60018 and otherwise satisfy the requirements set forth in the Company's By-laws.

Audit Committee

The Board has established an Audit Committee for the purpose of overseeing our accounting and financial reporting processes and the audits of our financial statements and evaluating and monitoring the risk profile of the Company. In addition, the Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to the following, in addition to other responsibilities:

- be directly responsible for the appointment, termination, compensation and oversight of the work of the independent auditors, including an assessment of the qualifications and independence of the independent auditors;
- reviewing the adequacy and effectiveness of the Company's disclosure controls and procedures and

management reports thereon;

- discussing with the independent auditors the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC;
- overseeing the Company's internal audit function;
- reviewing with management and the independent auditors, the financial statements, footnotes and related disclosures to be included in the Company's Annual Report on Form 10-K and quarterly reports on Form 10-Q;
- reviewing results of quarterly interim financial statements and the financial disclosure in the Company's earnings press releases, registration statements, or current reports;
- in consultation with the Nominating Committee, reviewing related-party transactions;
- reviewing the status of the Company's Information Security Program, including updates to risk assessments, results of audit testing and details of any security breaches or violations, as well as any changes to the program;
- monitoring and discussing with management and the internal auditors, as it deems appropriate, the Company's risk assessment and risk management policies;
- reviewing the status and results of regulatory examinations;
- reviewing compliance with the Codes and insider trading policy;
- reviewing and assessing annually the adequacy of the Audit Committee Charter and, if appropriate, recommending changes to the Board for approval.

The Audit Committee has established a policy to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year. Once pre-approved, the services and pre-approved amounts are monitored against actual charges incurred and modified if appropriate.

To serve on the Audit Committee, Directors must meet financial competency standards and heightened independence standards set forth by the SEC and NASDAQ. In particular, each Audit Committee member:

- must be financially literate;
- must not have received any consulting, advisory, or other compensatory fees from the Company (other than in his or her capacity as a Director);
- must not be the Company's affiliate or the affiliate of any of the Company's subsidiaries; and
- must not serve on the audit committee of more than two other public companies, unless the Board determines that such simultaneous service would not impair the ability of such Director to effectively serve on the Audit Committee.

Furthermore, at least one member of the Audit Committee must be an “audit committee financial expert” as defined by SEC rules.

The Audit Committee consists of five Directors, and the Board has determined that each of these Directors (including Director nominee Ms. Teglia) has no material relationship with the Company and each is otherwise independent under the applicable NASDAQ listing standards and meets the financial competency and heightened independence standards set forth above. The Board has determined that each of Ms. Stafford, Ms. Glabe, Mr. Heitmann, Mr. Sweeney and Ms. Teglia qualify as audit committee financial experts. During 2018, the Audit Committee met six times.

Compensation Committee

The Board has established a Compensation Committee which is responsible for the following, among other responsibilities:

- establishing, in consultation with senior management, the Company’s overall compensation philosophy and overseeing the development and implementation of compensation programs and policies;
- reviewing and approving corporate goals and objectives relevant to the compensation of the CEO and other senior management, evaluating the performance of the CEO and other senior management in light of those goals and objectives, and, either as a committee or together with the other independent members of the Board, setting the CEO’s and other senior management’s compensation levels based on this evaluation;
- reviewing and approving in advance employment agreements, salary levels, salary increases and bonuses for executive and senior officers of the Company and, if appropriate, senior officers of its subsidiaries, including salaries and awards to newly hired executives and senior officers of the Company;
- reviewing the Company's compensation programs to assess the extent to which such practices encourage risk-taking (including compliance with the Company’s Volcker Rule Compliance Policy) or earnings manipulation, and taking any appropriate remedial actions;
- administering the Company's stock option and employee stock purchase programs;
- reviewing and recommending for Board approval additional executive compensation and employee benefit programs;
- reviewing with the CEO senior management promotions and employment of senior management candidates;
- conferring with the CEO and other senior management regarding succession planning for senior executive officers and making any such recommendations to the Board;

- reviewing and approving changes to be made to severance programs and forms of employment agreements and change-in-control agreements;
- pre-approving all services provided by any independent compensation consultant retained to participate in the evaluation of executive compensation, other than services performed in connection with non-employee Director compensation;
- reviewing the results of any advisory shareholder votes on executive compensation (say-on-pay votes), and considering whether to recommend adjustments to the Company's executive compensation policies and practices as a result of such votes;
- recommending for approval by the Board how frequently the Company should conduct advisory shareholder votes on executive compensation, taking into account the results of any prior shareholder votes regarding the frequency of such votes;
- developing and implementing policies with respect to the recovery or "clawback" of any excess compensation, including stock options, paid to any of the Company's executive officers based on erroneous data; and
- reviewing and assessing annually the adequacy of the Compensation Committee Charter and, if appropriate, recommending changes to the Board for approval.

The Compensation Committee consists of four Directors, and the Board has determined that each of these Directors has no material relationship with the Company and each is otherwise independent under the applicable NASDAQ listing standards. During 2018, the Compensation Committee met seven times. The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended December 31, 2018, there were no compensation committee interlocks or insider participation.

Risk Management Committee

The Board has established a Risk Management Committee which is responsible for the following, among other responsibilities:

- reviewing and approving the Enterprise Risk Management Policy;
- reviewing and approving the Risk Appetite Statement;
- reviewing summary reports regarding the Company's risk profile relative to the Risk Appetite Statement and associated metrics and risk tolerances;
- reviewing the Company's independent loan review plan and loan review results;

- reviewing measures taken by the Company to identify, measure, monitor, manage and report its risks in the areas of credit, liquidity, interest rates and other market risks, operational risk, vendors, and financial models;
- reviewing measures taken by the Company to identify, measure, monitor, manage and report its risks in the areas of information technology & information security, in cooperation with the IT/IS Committee;
- reviewing measures taken by the Company to identify, measure, monitor, manage and report its risks in the areas of legal & regulatory compliance, in cooperation with the Audit Committee of the Board;
- reviewing the Company's capital position including the Company's annual capital planning and stress testing processes and results in cooperation with the Finance Committee of the Board;
- reviewing and approving additional policies as may be assigned to the Committee pursuant to the Company's Enterprise Risk Management Policy, subject to the Board's reservation of its authority to review and approve any such policies;
- meeting periodically with the Chief Risk Officer in separate executive sessions and discussing, among other items, the corporate risk management function's independent responsibilities, budget and staffing;
- coordinating with other committees of the Board and management committees as appropriate concerning risk management issues within the other committees' respective areas of responsibility;
- reviewing reports on special or emerging risk topics as deemed appropriate; and
- reviewing and assessing annually the adequacy of the Risk Management Committee Charter and, if appropriate, recommending changes to the Risk Management Committee Charter to the Board for approval.

The Risk Management Committee consists of six Directors, and the Board has determined that each of these Directors (including Director nominee Ms. Teglia) has no material relationship with the Company and each is otherwise independent under the applicable NASDAQ listing standards. During 2018, the Risk Management Committee met four times.

Finance Committee

The Board has established a Finance Committee to provide guidance to management regarding strategic opportunities and related financing transactions. In addition, the Finance Committee assists the Board in fulfilling its responsibilities with respect to the following, among other responsibilities:

- reviewing the capital plan and cash position of the Company, and providing advice and guidance on the sources and uses of capital and expected returns on capital deployed;
- reviewing and approving key strategic initiatives to determine if they are aligned with the Risk Appetite Statement;

- reviewing and approving capital policies including the Capital Plan, the Capital Adequacy and Planning Policy and the Capital Contingency Plan;
- reviewing and approving results of capital and earnings business plan, annual budget and forecasts;
- reviewing and approving components of the capital stress testing process including stress test results;
- reviewing holding company/intercompany capital actions, linking to current and forecasted capital levels;
- reviewing and approving action plans to remediate gaps identified in the capital management process;
- reviewing the Company's financial policies, capital structure, strategy for obtaining financial resources, tax-planning strategies and use of cash flow;
- reviewing and making recommendations with respect to any share repurchase programs and dividend policy;
- reviewing proposed mergers, acquisitions, joint ventures and divestitures involving the Company and its subsidiaries;
- reviewing and making recommendations with respect to private equity and other strategic investments;
- reviewing and making recommendations with respect to issuing equity and debt securities;
- providing advice to management with respect to the financial aspects of transactions by subsidiaries of the Company that require a vote by the Company, as a shareholder of such subsidiaries; and
- reviewing and assessing annually the adequacy of the Finance Committee Charter and, if appropriate, recommending changes to the Board for approval.

The Finance Committee consists of five Directors, and the Board has determined that each of these Directors has no material relationship with the Company and each is otherwise independent under the applicable NASDAQ listing standards. During 2018, the Finance Committee met four times.

Information Technology/Information Security Committee

The Board has established an IT/IS Committee to provide guidance to management regarding information technology and information security. In addition, the IT/IS Committee assists the Board in fulfilling its responsibilities with respect to the following, among other responsibilities:

- reviewing and approving the Company's information technology strategic plan and planning process;
- assessing the likelihood, frequency and severity of cyber attacks and data breaches;
- reviewing and approving the development and implementation of the Company's information technology and information security programs and policies in context of the Company's risk profile;

- reviewing the scope and effectiveness of the Company’s material information technology and information security infrastructure, including strategies for the design, development, implementation and maintenance of new technologies and systems;
- reviewing the strategies and measures taken by the Company to identify, assess, monitor, control and mitigate its risks in the areas of information technology and information security;
- reviewing and approving the data management strategy for the Company;
- overseeing any independent third-party assessments of the Company's information technology and information security programs and policies and data management strategy;
- reviewing the effectiveness of business continuity/disaster recovery following cyber attacks, including adequate insurance coverage and incident response plans and testing; and
- reviewing annually the adequacy of the IT/IS Committee Charter and, if appropriate, recommending changes to the charter to the Board for approval.

The IT/IS Committee consists of four Directors, and the Board has determined that each of these Directors (including Director nominee Ms. Hall Lefevre) has no material relationship with the Company and each is otherwise independent under the applicable NASDAQ listing standards. During 2018, the IT/IS Committee met four times.

Executive Committee

The Board has established an Executive Committee to provide guidance and counsel to the Company’s management team on significant matters and to take action on behalf of the Board between meetings of the Board or when it is not feasible to convene a meeting of the full Board for timely consideration of the actions proposed to be taken. The Executive Committee may exercise all authority of the Board including, without limitation, the approval of acquisition, financing and other business transactions not involving the issuance of Company stock or approval by shareholders, except as otherwise prohibited by law.

The Executive Committee currently consists of eight Directors, and the Board has determined that each of these Directors, except for Mr. Wehmer, has no material relationship with the Company and is otherwise independent under the NASDAQ listing standards. During 2018, the Executive Committee did not meet.

DIRECTOR COMPENSATION

The Company seeks to compensate its non-employee Directors in a manner that attracts and retains qualified candidates to serve on the Board and to compensate such Directors for their service on the Board in an amount that is commensurate with their role and involvement. In setting non-employee Director compensation, the Nominating Committee and the Board consider the significant amount of time the Directors expend in fulfilling their duties as well as the skill level required. During its most recent review of Director compensation, the Nominating Committee reviewed compensation data for non-employee directors from the Company's then-current peer group. Based on this review of compensation data, which was set forth in the most recent proxy statement filed by each member of the Company's peer group, the Nominating Committee recommended, and the Board determined, to increase the annual retainer fee of our Directors to $115,000, effective January 1, 2019.

To strengthen the alignment of interests between Directors and shareholders, the Board maintains a minimum stock ownership guideline for Directors, which requires Directors to own Common Stock (or Common Stock equivalents) having a value of at least four times the then-current annual retainer fee paid to non-employee Directors. For 2019, this results in an ownership requirement of $460,000. This minimum stock ownership is required to be met within four years of joining the Board. In the event the annual retainer fee is increased, Directors will have four years to meet the new ownership guideline.

As of April 1, 2019, all of the Company's non-employee Directors either own sufficient shares to meet the stock ownership guideline or are on target to meet the minimum stock ownership guideline within the prescribed time frame.

Compensation for Non-employee Directors

For their service to the Company, non-employee Directors are entitled to an annual retainer fee (the "Annual Retainer"), attendance fees for committee meetings and certain Board meetings, and a payment for service as a chairman of the Board or of certain committees (other than the Annual Retainer, "Other Director Fees"). Additionally, non-employee Directors who serve as a director of any of the Company's subsidiaries are entitled to compensation for such service. Directors who are employees of the Company receive no additional compensation for their service on the Board.

Annual Retainer. In 2018, the Company paid an Annual Retainer to non-employee Directors of $75,000. As explained further below, this amount may be paid in cash or in shares of the Company's Common Stock.

Board Meeting Attendance Fees. The Company does not pay an attendance fee for meetings of the Board; however, in the event the Company holds more than six Board meetings in one year, non-employee Directors will receive per meeting fees of $2,000 for in-person attendance, or $1,500 for telephonic attendance, for each such additional Board meeting the Director attends.

Committee Meeting Attendance Fees. In order to properly reward non-employee Directors who sit on committees for their efforts and contributions, non-employee Directors receive an attendance fee for service on a committee of the Board. Non-employee Directors receive $1,700 per committee meeting attended, except for Audit Committee members, who receive a $2,000 per meeting attendance fee.

Chairmanships. In 2018, each of the Chair of the Audit Committee, the Chair of the Compensation Committee, the Chair of the Finance Committee, the Chair of the IT/IS Committee, the Chair of the Nominating Committee, and the Chair of the Risk Management Committee were entitled to an additional annual fee of $25,000. In 2018, the Company paid the Chairman of the Board an additional annual fee of $60,000.

Subsidiary Directorships. Non-employee Directors who serve on the boards of directors of our subsidiaries are entitled to compensation for such service. No independent member of the Company's Board serves on more than one subsidiary board other than Ms. Glabe and Mr. Heitmann.

Directors Deferred Fee and Stock Plan

The 2005 Directors Deferred Fee and Stock Plan ("Director Plan") is a program that allows non-employee Directors to receive their Director fees in either cash or Common Stock. Under the Director Plan, Directors may also choose to defer the receipt of the Annual Retainer delivered in the form of Common Stock or defer the receipt of Other Director Fees in the form of cash or Common Stock.

A Director will receive all fees in cash unless he or she elects to receive such fees in shares of the Company's Common Stock. The number of shares of Common Stock to be issued will be determined by dividing the fees earned during a calendar quarter by the fair market value (as defined in the Director Plan) of the Common Stock on the last trading day of the preceding quarter.

Under the Director Plan, a Director may elect to defer receipt of shares of Common Stock received as an Annual Retainer or as Other Director Fees. If a Director elects to defer his or her receipt of fees paid in Common Stock, the Company will maintain on its books deferred stock units ("Units") representing an obligation to issue shares of Common Stock to the Director. The number of Units credited will be equal to the number of shares that would have been issued but for the deferral election. Additional Units will be credited at the time dividends are paid on the Common Stock. The number of additional Units to be credited each quarter will be computed by dividing the amount of the dividends that would have been received if the Units were outstanding shares by the fair market value of the Common Stock on the last trading day of the preceding quarter. Because Units represent a right to receive Common Stock in the future, and not actual shares, there are no voting rights associated with them. In the event of an adjustment in the Company's capitalization or a merger or other transaction that results in a conversion of the Common Stock, corresponding adjustments will be made to the Units. The Director will be a general unsecured creditor of the Company for purposes of the Common Stock to be paid in the future. The shares of Common Stock represented by the Units will be issued to the Director in accordance with the deferral election of the Director.

The Director Plan also permits deferral of Other Director Fees in cash. If a Director elects to defer receipt of Other Director Fees in cash, the Company will maintain on its books a deferred compensation account representing an obligation to pay the Director cash in the future. The amount of the Director's fees will be credited to a Director's deferred compensation account as of the date such fees otherwise would be payable to the Director. All amounts in such account will accrue interest based on the 91-day Treasury Bill discount rate, adjusted quarterly, until paid. Accrued interest will be credited at the end of the quarter. No funds will actually be set aside for payment to the Director and the Director will be a general unsecured creditor of the Company for the purposes of the amount in his or her deferred compensation account.

The amount in the deferred compensation account will be paid to the Director in accordance with the deferral election of the Director.

All deferrals under the Director Plan will be deferred until the 15th of January following the retirement of such Director from the Board and each of its subsidiaries, or, at the election of the Director at the time of deferral, until the first, second, third, fourth or fifth anniversary of such retirement.

2018 Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee Directors for the fiscal year ended December 31, 2018.

(a) Name	(b) Fees Earned or Paid in Cash ($)(1)	(c) Stock Awards ($)	(d) Option Awards ($)	(e) Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	(f) All Other Compensation ($)(2)	(g) Total ($)
Peter D. Crist	127,000	—	—	—	43,961	170,961
Bruce K. Crowther	125,500	—	—	—	31,641	157,141
William J. Doyle	102,000	—	—	—	1,286	103,286
Zed S. Francis III	93,800	—	—	—	10,553	104,353
Marla F. Glabe	102,100	—	—	—	16,200	118,300
H. Patrick Hackett, Jr.	150,100	—	—	—	2,100	152,200
Scott K. Heitmann	127,100	—	—	—	31,857	158,957
Christopher J. Perry	113,600	—	—	—	15,802	129,402
Ingrid S. Stafford	127,100	—	—	—	26,121	153,221
Gary D. "Joe" Sweeney	105,200	—	—	—	13,100	118,300
Sheila G. Talton	111,900	—	—	—	920	112,820

(1) Represents fees for services as non-employee Directors of the Company. During 2018, certain Directors elected to receive fees in Common Stock, in lieu of cash payments, as follows:

Name	Fees Earned in Common Stock ($)
Peter D. Crist	127,000
Bruce K. Crowther	100,000
William J. Doyle	102,000
Zed S. Francis III	93,800
Marla F. Glabe	102,100
Scott K. Heitmann	40,000
Christopher J. Perry	113,600
Ingrid S. Stafford	50,000
Sheila G. Talton	20,000

As of December 31, 2018, Directors held Units in our deferred stock program as follows: Mr. Crist: 48,374 Units; Mr. Crowther: 31,979 Units; Mr. Doyle: 2,447 Units; Mr. Hackett: 2,778 Units; Mr. Heitmann: 9,035 Units; Mr. Perry: 21,739 Units; Ms. Stafford: 11,381 Units; and Ms. Talton: 1,364 Units.

(2) Includes fees paid in cash and stock, both currently paid and deferred, for services as directors of the Company’s subsidiaries. Also includes dividends earned on fees deferred as described above. Directors with $10,000 or more in "All Other Compensation" for the fiscal year ended December 31, 2018 were: Mr. Crist ($35,811 in dividends earned and $8,150 in fees for service as a director of one of the Company’s subsidiaries); Mr. Crowther ($23,616 in dividends earned and $8,025 in fees for service as a director of one of the Company’s subsidiaries); Mr. Francis ($353 in dividends earned and $10,200 in fees for service as a director of one of the Company’s subsidiaries); Ms. Glabe ($400 in dividends earned and $15,800 in fees for service as a director or member of the executive advisory committee of five of the Company’s subsidiaries or divisions); Mr. Heitmann ($6,607 in dividends earned and $25,250 in fees for service as a director of four of the Company’s subsidiaries); Mr. Perry ($15,802 in dividends earned); Ms. Stafford ($8,771 in dividends earned and $17,350 in fees for service as a director of one of the Company’s subsidiaries); and Mr. Sweeney ($13,100 in fees for service as a director of one of the Company’s subsidiaries).

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS, DIRECTORS AND MANAGEMENT

The following table sets forth the beneficial ownership of the Common Stock as of the Record Date (except as otherwise indicated), with respect to (i) each Director, nominee for Director and each NEO (as defined herein) of the Company; (ii) all Directors and executive officers of the Company as a group and (iii) significant shareholders known to the Company to beneficially own in excess of 5% of the Common Stock. Unless otherwise indicated, the listed person has sole voting and dispositive power.

	Amount of Common Shares Beneficially Owned (1)	Restricted Stock Units (1)	Options & Warrants Exercisable Within 60 Days (1)	Total Amount of Beneficial Ownership (1)	Total Percentage Ownership (1)
Directors					
Peter D. Crist	48,374	—	—	48,374	*
Bruce K. Crowther	32,623	—	—	32,623	*
William J. Doyle	2,578	—	—	2,578	*
Zed S. Francis III	14,187	—	—	14,187	*
Marla F. Glabe	7,068	—	—	7,068	*
H. Patrick Hackett, Jr.	33,862	—	—	33,862	*
Scott K. Heitmann	18,862	—	—	18,862	*
Christopher J. Perry	57,489	—	—	57,489	*
Ingrid S. Stafford	21,023	—	—	21,023	*
Gary D. "Joe" Sweeney	3,645	—	—	3,645	*
Sheila G. Talton	6,048	—	—	6,048	*
Edward J. Wehmer**	134,859	53,838	29,173	217,870	*
Director Nominees not currently serving					
Deborah L. Hall Lefevre	—	—	—	—	*
Karin Gustafson Teglia	310	—	—	310	*
Named Executive Officers					
David A. Dykstra	146,871	37,450	16,790	201,111	*
Richard B. Murphy	32,139	—	3,778	35,917	*
Timothy S. Crane	18,674	407	23,641	42,722	*
David L. Stoehr	10,127	—	2,829	12,956	*
Total Directors & Executive Officers (21 persons)	670,284	91,899	134,105	896,288	1.58 %
Total Continuing Directors & Executive Officers (21 persons)	650,359	91,899	134,105	876,363	1.54 %
Significant Shareholders					
BlackRock, Inc. (2)	5,672,377	—	—	5,672,377	10.0 %
The Vanguard Group, Inc. (3)	5,289,842	—	—	5,289,842	9.38 %

* Less than 1%.

** Mr. Wehmer is also a named executive officer.

(1) Beneficial ownership and percentages are calculated in accordance with SEC Rule 13d-3 promulgated under the Securities Exchange Act of 1934 (the "Exchange Act").

(2) Based solely on information obtained from a Schedule 13G/A filed by BlackRock, Inc. ("BlackRock") with the SEC on March 8, 2019 reporting beneficial ownership as of February 28, 2019. According to this report,

BlackRock's business address is 55 East 52nd Street, New York, New York 10055. BlackRock has indicated that it holds shares of our Common Stock together with certain of its subsidiaries. BlackRock has sole voting power with respect to 5,258,998 of these shares and sole dispositive power with respect to 5,672,377 of these shares.

(3) Based solely on information obtained from a Schedule 13G/A filed by The Vanguard Group, Inc. ("Vanguard") with the SEC on February 11, 2019 reporting beneficial ownership as of December 31, 2018. According to this report, Vanguard's business address is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. Vanguard has indicated that it holds shares of our Common Stock together with certain of its subsidiaries. Vanguard has sole voting power with respect to 26,729 of these shares, shared voting power with respect to 5,870 of these shares, sole dispositive power with respect to 5,262,559 shares and shared dispositive power with respect to 27,283 of these shares.

RELATED PARTY TRANSACTIONS

Director Independence

A Director is independent if the Board affirmatively determines that he or she has no material relationship with the Company other than serving as a Director of the Company and he or she otherwise satisfies the independence requirements of the NASDAQ listing standards. A Director is "independent" under the NASDAQ listing standards if the Board affirmatively determines that the Director has no material relationship with us directly or as a partner, shareholder or officer of an organization that has a relationship with us. Direct or indirect ownership of even a significant amount of our stock by a Director who is otherwise independent will not, by itself, bar an independence finding as to such Director.

The Board has reviewed the independence of our current non-employee Directors and nominees and found that each of them are independent under the applicable NASDAQ listing standards, except Edward J. Wehmer, who serves as our President and CEO. Accordingly, more than 91% of the members of the Board are independent, including the Chairman of the Board.

Related Party Transactions

We or one of our subsidiaries may occasionally enter into transactions with certain "related persons." Related persons include our executive officers, directors, 5% or more beneficial owners of our Common Stock, immediate family members of these persons and entities in which one of these persons has a direct or indirect material interest. We refer to transactions with these related persons as "related party transactions." The Audit Committee and the Nominating Committee are jointly responsible for the review and approval of each related party transaction exceeding $120,000. Such committees consider all relevant factors when determining whether to approve a related party transaction including, without limitation, whether the terms of the proposed transaction are at least as favorable to us as those that might be achieved with an unaffiliated third party. Among other relevant factors, the Audit Committee and the Nominating Committee consider the following:

- the size of the transaction and the amount of consideration payable to a related person;
- the nature of the interest of the applicable executive officer, Director or 5% shareholder in the transaction;
- whether the transaction may involve a conflict of interest;
- whether the transaction involves the provision of goods or services to us that are available from unaffiliated third parties; and
- whether the proposed transaction is on terms and made under circumstances that are at least as favorable to us as would be available in comparable transactions with or involving unaffiliated third parties.

Some of the executive officers and Directors of the Company are, and have been during the preceding year, customers of the Company's banking subsidiaries (the "Banks"), and some of the officers and Directors of the Company are direct or indirect owners of 10% or more of the stock of corporations which are, or have been in the past, customers of the Banks. Extensions of credit by the Company and its banking subsidiaries to "insiders" of the Company and its subsidiaries are also regulated by Regulation O adopted under the Federal Reserve Act and the Federal Deposit Insurance

Corporation Improvement Act. It is the Company's policy that any transactions with persons whom Regulation O defines as "insiders" (i.e., executive officers, Directors, principal shareholders and their related interests) are engaged in the same manner as transactions conducted with all members of the public. As such customers, they have had transactions in the ordinary course of business of the Banks, including borrowings, all of which transactions are or were on substantially the same terms (including interest rates and collateral on loans) as those prevailing at the time for comparable transactions with nonaffiliated persons. In the opinion of management of the Company, none of the transactions involved more than the normal risk of collectability or presented any other unfavorable features. Additionally, in certain cases, a family member of an executive officer or Director of the Company serves as a director of a Bank or is employed in a non-executive role by the Company or an affiliate of the Company on terms that are consistent with their peers and at market compensation levels that are commensurate with their roles. In no case does an immediate family member directly report to a related executive officer or Director. Other than as described above, since January 1, 2018, no transaction was identified as a related party transaction.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company's Directors and executive officers and any person who beneficially owns greater than 10% of the Common Stock to file reports of holdings and transactions in the Common Stock with the SEC.

Based solely on a review of the Section 16(a) reports furnished to us with respect to 2018 and written representations from our executive officers and Directors, we believe that all Section 16(a) filing requirements applicable to each covered person were satisfied during 2018.

PROPOSAL NO. 1 — ELECTION OF DIRECTORS

The Company's Board is currently comprised of 12 Directors, each serving a term that will expire at this year's Annual Meeting or until a successor has been elected and qualified. Two of our current directors, Sheila G. Talton and Zed S. Francis III, are not standing for re-election this year.

At the Annual Meeting, you will elect 12 individuals to serve on the Board until the next Annual Meeting or until a successor has been elected and qualified. The Board, acting pursuant to the recommendation of the Nominating Committee, has nominated each Director standing for election. Each nominee has indicated a willingness to serve, and the Board has no reason to believe that any of the nominees will not be available for election. However, if any of the nominees is not available for election, proxies may be voted for the election of other persons selected by the Board. Proxies cannot, however, be voted for a greater number of persons than the number of nominees named. Shareholders of the Company have no cumulative voting rights with respect to the election of Directors.

It is expected that, pending re-election at the Annual Meeting, H. Patrick Hackett, Jr. will serve as non-executive Chairman of the Board following the Annual Meeting. Assuming each Director nominee is elected to serve on the Board until the next Annual Meeting, the membership of the Board and each of its committees following the Annual Meeting, is expected to be as follows:

Name	Age	Director Since	Committees	Subsidiaries/Divisions
Peter D. Crist	67	1996	Nominating Compensation Finance Executive	Hinsdale Bank
Bruce K. Crowther	67	1998	Compensation Finance IT/IS Executive	Barrington Bank
William J. Doyle	68	2017	Nominating Compensation Finance	—
Marla F. Glabe	65	2015	Nominating Audit Risk Management	Great Lakes Advisors Wintrust Investments The Chicago Trust Company FIRST Insurance Funding Wintrust Life Finance
H. Patrick Hackett, Jr., Chairman of the Board	67	2008	Nominating Finance Executive	Wintrust Bank (Advisory Director)
Scott K. Heitmann	70	2008	Audit Risk Management IT/IS Executive	Great Lakes Advisors Wintrust Investments The Chicago Trust Company Wintrust Bank
Deborah L. Hall Lefevre	51	—	IT/IS Executive	—
Christopher J. Perry	63	2009	Risk Management Finance Executive	—
Ingrid S. Stafford	65	1998	Audit Risk Management IT/IS Executive	Wintrust Bank
Gary D. "Joe" Sweeney	61	2015	Nominating Audit Compensation	Town Bank
Karin Gustafson Teglia	51	—	Audit IT/IS Risk Management	Hinsdale Bank Tricom
Edward J. Wehmer	65	1996	Executive	Shared officer of each subsidiary

Each of our nominees for election to the Board has previously served as a Director, other than Ms. Hall Lefevre and Ms. Teglia. Ms. Hall Lefevre was recommended to the Chairman of the Nominating and Governance

Committee by several independent third parties. Ms. Teglia was known to several independent Directors by virtue of her service as a member of the Tricom, Inc. of Milwaukee ("Tricom") board of directors and Hinsdale Bank board of directors, including her service as its Audit Committee chair. The Nominating Committee, in accordance with its customary process, duly considered the qualifications of these two Director nominees, as well as other candidates, considering factors including those set forth in "Nomination of Directors" on page 11. At the conclusion of its comprehensive candidate vetting process, the Nominating Committee recommended nomination of Ms. Hall Lefevre and Ms. Teglia, and based upon the recommendation of the Nominating Committee, the Board has nominated Ms. Hall Lefevre and Ms. Teglia for election to the Board at the Annual Meeting.

Nominees for Election at the 2019 Annual Meeting of Shareholders

Peter D. Crist (67), Director since 1996. Mr. Crist served as the Company's Chairman from 2008 to 2017. He currently is the chair of the Nominating Committee. Mr. Crist founded Crist/Kolder Associates, an executive recruitment firm which focuses on chief executive officer and director searches, in 2003 and has served since inception as its Chairman and Chief Executive Officer. From December 1999 to January 2003, Mr. Crist served as Vice Chairman of Korn/Ferry International (NYSE), the largest executive search firm in the world. Previously, he was President of Crist Partners, Ltd., an executive search firm he founded in 1995 and sold to Korn/Ferry International in 1999. Immediately prior thereto he was Co-Head of North America and the Managing Director of the Chicago office of Russell Reynolds Associates, Inc., the largest executive search firm in the Midwest, where he was employed for more than 18 years. He currently serves as a director of Northwestern Memorial Hospital, where he chairs the Nominating and Corporate Governance Committee. Mr. Crist is a director of Hinsdale Bank.

Mr. Crist's experience assisting companies with executive searches provides him with insight into the attraction and retention of Company personnel, an important concern of the Company. In addition, Mr. Crist's experience as an executive of several large, Chicago-based businesses provides him with insight into the management and operational challenges and opportunities facing the Company in its markets. He also brings experience as the chair of the compensation committee of Northwestern Memorial Hospital. In addition, Mr. Crist's experience as a director of Hinsdale Bank gives him valuable insight into the Company's banking operations.

Bruce K. Crowther (67), Director since 1998. Mr. Crowther served as President and Chief Executive Officer of Northwest Community Healthcare, Northwest Community Hospital and certain of its affiliates ("Northwest Community") from January 1992 until his retirement in December 2013. Prior to that time he served as Executive Vice President and Chief Operating Officer of Northwest Community from 1989 to 1991. He is a Fellow of the American College of Healthcare Executives. Mr. Crowther is the past Chairman of the board of directors of the Illinois Hospital Association as well as recent former Chairman of the board of directors of the Max McGraw Wildlife Foundation. Additionally, he serves as a director of NeoGenomics, Inc. (NASDAQ). Mr. Crowther is a director of Barrington Bank.

Mr. Crowther's experience as President and Chief Executive Officer of Northwest Community provides him with insight into the challenges of leading a large and complex organization in the greater Chicago area and an understanding of the operation and management of a large business. In addition, Mr. Crowther's experience as a director of Barrington Bank gives him valuable insight into the Company's banking operations.

William J. Doyle (68), Director since 2017. Mr. Doyle served as President and Chief Executive Officer of Potash Corporation of Saskatchewan ("PotashCorp"), one of the world's largest fertilizer suppliers, for 15 years, and retired in July 2015. Mr. Doyle formerly served as President of the International Fertilizer Industry Association, a trade association representing the global fertilizer industry, and was a board member of Canpotex and the International Plant Nutrition Institute.

Mr. Doyle is a graduate of Georgetown University in Washington, D.C., and Chairman of the University's Board of Directors. He is also on the board of the Big Shoulders Fund, a charity providing support to Catholic schools in the neediest areas of inner-city Chicago.

Mr. Doyle's experience as President and Chief Executive Officer of PotashCorp provides him with insight into the challenges of leading a large and complex global organization with key operations throughout the world, as well as an understanding of the operation and management of, and governance and regulatory considerations associated with, a large public company.

Marla F. Glabe (65), Director since 2015. Ms. Glabe has over 40 years of experience in the financial services industry including her service as a senior executive with Allstate Insurance Company ("Allstate") and as a member of the board of directors of Allstate Life Insurance Company. From 1974 to 2009, she held various executive positions at Allstate and its affiliates. From 2011 until March of 2019, Ms. Glabe served as the Lead Managing Director for MasterMind Advisory Board, a corporation offering advisory services to CEOs and business entrepreneurs. Ms. Glabe is Senior Advisor for Management Control International, Inc., a privately owned family asset management firm, serves on the boards of Royal Neighbors of America, a fraternal life insurance company, and Northwest Community Healthcare, and is a member of the Society of Actuaries. Ms. Glabe is a director of Great Lakes Advisors, Wintrust Investments, and The Chicago Trust Company and serves on the Executive Advisory Committee for First Insurance Funding and Wintrust Life Finance.

Ms. Glabe's business experience gives her in-depth knowledge of managing and providing leadership at sophisticated nationwide organizations in highly regulated businesses. Her knowledge of the insurance industry gives her insight into an area which, through the Company's insurance premium financing business, impacts a substantial portion of the Company's business. In addition, her experience in leadership provides Ms. Glabe with knowledge of the issues faced by large and complex businesses in the financial services industry. As a result of her financial experience, Ms. Glabe qualifies as a financial expert for purposes of rules governing audit committees. Ms. Glabe's experience on the Executive Advisory Committee for First Insurance Funding and Wintrust Life Finance and as a current director of the boards associated with Wintrust Wealth Management gives her valuable insight into the Company's non-banking operations

H. Patrick Hackett, Jr. (67), Director since 2008. Mr. Hackett has served as the Company's Chairman since 2017. Mr. Hackett has been the Principal of HHS Co., an investment company located in the Chicago area, since 2001.

Previously, he served for 12 years as the President and Chief Executive Officer of RREEF Capital, Inc. and as Principal of The RREEF Funds, an international commercial real estate investment management firm. Mr. Hackett taught real estate finance at the Kellogg Graduate School of Management for 15 years when he also served on the real estate advisory boards of Kellogg and of the Massachusetts Institute of Technology. He serves on the boards of First Industrial Realty Trust, Inc. (NYSE) and Northwestern University. Mr. Hackett is an advisory director of Wintrust Bank.

Mr. Hackett's experience provides him deep familiarity with financial modeling and underwriting approaches toward valuing corporate and bank acquisitions, as well as commercial real estate, which often serves as collateral for the Company's products. Mr. Hackett's experience as an advisory director of Wintrust Bank and as a bank auditor, early in his career, give him valuable insight into bank accounting of the Company's banking operations.

Scott K. Heitmann (70), Director since 2008. Mr. Heitmann, retired for the past 14 years, has over 30 years of experience in the banking industry, including his service as Vice Chairman of LaSalle Bank Corporation and President, Chairman and Chief Executive Officer of Standard Federal Bank from 1997 to 2005. He served as the President and Chief Executive Officer of LaSalle Community Bank Group and LaSalle Bank FSB from 1988 to 1996. Mr. Heitmann currently serves as an Advisory Director of Boys Hope Girls Hope of Illinois. Mr. Heitmann has previously served as a director of LaSalle Bank Corporation, Standard Federal Bank and the Federal Home Loan Bank of Chicago. Mr. Heitmann is a director of Great Lakes Advisors, Wintrust Investments, The Chicago Trust Company, and Wintrust Bank.

Mr. Heitmann's experience in the banking industry, including service in executive leadership roles at LaSalle Bank Corporation and Standard Federal Bank, provide him with knowledge of the financial services business, generally, and the business of community banking, in particular. His experience as a former bank lender also provides insight into the Company's community banking business. In addition, his experience with LaSalle Bank's various predecessors provides him with insight into the opportunities and challenges posed to a growth-oriented Chicago-based community bank. As a result of his financial experience, Mr. Heitmann qualifies as a financial expert for purposes of rules governing audit committees. Mr. Heitmann's experience as a director of Wintrust Bank and the boards associated with Wintrust Wealth Management gives him valuable insight into the Company's banking, brokerage and investment advisory operations.

Deborah L. Hall Lefevre (51), Director Nominee. Ms. Lefevre currently serves as Senior Vice President, Global Chief Information Officer of Couche-Tard/Circle K ("Circle K"), where she is responsible for global technology and digital strategy and execution across a network of approximately 15,500 locations operated by Circle K, a multinational operator of convenience stores. From 2003 until joining Circle K in 2017, Ms. Lefevre served in various management positions within the Information Technology department of McDonald's Corporation, including Corporate Vice President, Global Enterprise Solutions and Business Transformation (2015-17); Chief Information Officer, U.S. Segment (2013-15); and Vice President, IT Enterprise (2008-13).

Ms. Lefevre's extensive knowledge of information technology systems and information security issues will provide the Company with sophisticated guidance regarding the Company's technology and information security strategy and tactical objectives. In addition, her experience as a senior executive of two large, highly-complex public companies provides her with comprehensive knowledge of the issues faced by complex businesses.

Christopher J. Perry (63), Director since 2009. Mr. Perry is currently a partner at CIVC Partners LLC ("CIVC Partners"), a private equity investment firm which he joined in 1994 after leading Continental Bank's ("Continental") Mezzanine Investments and Structured Finance groups. Prior to joining Continental in 1985, he served as a Vice President in the Corporate Finance Department of the Northern Trust Company. He has been in the financial services industry for the past 35 years. During his time at CIVC Partners, he has served on the boards of over a dozen public and private companies. Mr. Perry previously served as a director of Wintrust from 2001 to 2002.

Mr. Perry's role as a partner of CIVC Partners gives him insight into a broad range of privately held companies across a number of industries, including financial services. In addition, his experience as a leader at CIVC Partners, Continental's Mezzanine Investments Group and Structured Finance Group gives him insight into complex capital structures, financial instruments and all aspects of transactions. Mr. Perry's more than three decades of experience in the financial services industry have given him considerable experience in many aspects of the industry during several credit and economic cycles.

Ingrid S. Stafford (65), Director since 1998. Ms. Stafford has held various positions since 1977 with Northwestern University, where she is currently serving as Senior Advisor to the Senior Vice President for Business and Finance. Ms. Stafford plans to retire from her Senior Advisor role at Northwestern University in August 2019. Ms. Stafford is a trustee of the Evanston Alternative Opportunities Fund, an SEC registered fund advised by Evanston Capital Management. She is chair of its audit committee and a member of its fund valuation committee. In 2013, Ms. Stafford was elected to the national governing council of the Evangelical Lutheran Church in America, where she is chair of its audit committee and member of its executive and finance committees. She also serves on the investment and audit committees of the Evanston Community Foundation. She is an emeritus director of Wittenberg University where she served from 1993 to 2006, including serving as Board Chair from 2001 to 2005. Ms. Stafford is a director of Wintrust Bank.

Ms. Stafford's experience in financial management at Northwestern University, including prior service as Vice President for Financial Operations and Treasurer, provides experience with the management of the liquidity, financial reporting, risk and audit management of a large organization. She serves in a management support role to its Board of Trustees' Audit, Risk and Compliance Committee, Finance and Investment Committees. In addition, as a member of the investment committee of the Evanston Community Foundation, she has experience with investment strategy and asset allocation. She also has experience as an audit committee member and chair of the Board of Pensions of the Evangelical Lutheran Church in America (now known as Portico Benefit Services) and audit committee member of Wittenberg University. As a result of her financial experience, Ms. Stafford qualifies as a financial expert for purposes of rules governing audit committees. In addition, Ms. Stafford's experience as a director of Wintrust Bank gives her valuable insight into the Company's banking operations.

Gary D. "Joe" Sweeney (61), Director since 2015. Mr. Sweeney serves as strategic advisor to Corporate Financial Advisors, LLC ("CFA"), a middle-market investment banking firm, which specializes in providing merger and acquisition advisory services, capital sourcing, exit planning and general corporate advisory services. From 2000 to April 2015, Mr. Sweeney was a co-owner and a managing director of CFA. Prior to that time, he founded and served as president of Sports Marketing and Management Group, LLC, a sports marketing and management firm that specializes in assisting and representing coaches and professional athletes in securing contracts and marketing opportunities. Mr. Sweeney is a published best-selling author and a frequent public speaker. Mr. Sweeney has served on the boards of directors of numerous private companies over the past 30 years. He currently serves on the Board of Directors of The University of Notre Dame Graduate Alumni Board for the Mendoza College of Business and Town Bank.

Mr. Sweeney's experience provides him with extensive knowledge of mergers and acquisitions, capital raising, and the investment process, each of which are key functions of the Company. His knowledge of underwriting approaches and valuation methodologies are valuable in evaluations of proposed transactions. Mr. Sweeney's experience provides experience with the management of the liquidity, financial reporting, risk and audit management of a large organization. As a result of his financial experience, Mr. Sweeney qualifies as a financial expert for purposes of rules governing audit committees. In addition, his experience in leadership provides Mr. Sweeney with knowledge of the issues faced by large and complex businesses. Mr. Sweeney's experience as a current director of Town Bank gives him valuable insight to the Company's banking operations.

Karin Gustafson Teglia (51), Director Nominee. Ms. Teglia is President of DEKK Enterprises, LLC, an incubator that develops innovative concepts and go-to-market strategies for consumer products and services. Ms. Teglia also has served since 2009 as an advisor to TRP Investments, LLC, a commercial real estate investor. Prior to this role, Ms. Teglia served in various corporate finance management and international tax roles within McDonald's Corporation, including Corporate Senior Vice President, Finance (2007-08); Corporate Vice President, Finance (2005-07) and Corporate Vice President of Tax (2001-05). Prior to joining McDonald's Corporation in 1995, Ms. Teglia began her career as an international tax consultant with Price Waterhouse. Ms. Teglia is a certified public accountant and an attorney licensed to practice in Illinois.

Ms. Teglia currently serves as a director of Tricom as well as a director of Hinsdale Bank, chairing its Audit Committee and also serving on its Risk Committee. She also served on an Advisory Panel of the National Academy of Sciences, focusing on food allergy research, and serves on the Food Allergy Research and Education Board of National Ambassadors.

Ms. Teglia's management experience at McDonald's Corporation provides experience with the management of the liquidity, financial reporting, risk and audit management of a large organization. As a result of her financial experience, Ms. Teglia qualifies as a financial expert for purposes of rules governing audit committees. Additionally, Ms. Teglia's experience as a director of Hinsdale Bank gives her valuable insight into the Company's banking operations, as well as experience as an audit committee member and chair.

Edward J. Wehmer (65), Director since 1996. Mr. Wehmer, a founder of the Company, has served since May 1998 as President and Chief Executive Officer of the Company. Prior to May 1998, he served as President and Chief Operating Officer of the Company since its formation in 1996. He served as the President of Lake Forest Bank from 1991 to 1998. He serves as an Advisory Director of each of the Company's main operating subsidiaries. Mr. Wehmer is a certified public accountant and earlier in his career spent seven years with the accounting firm of Ernst & Young LLP specializing in the banking field and particularly in the area of bank mergers and acquisitions. Mr. Wehmer serves as Lead Independent Director on the board of directors of Stepan Company (NYSE), a chemical manufacturing and distribution company. He also serves as a director of the Catholic Extension Society, on the audit committee of Northwestern Memorial Health Care, as a trustee for Ann & Robert H. Lurie Children's Hospital and Foundation, as chair of Northwestern Memorial Hospital Foundation, and on the Finance Board of the Archdiocese of Chicago.

Mr. Wehmer is the only member of the Board who is also an executive officer of the Company. As such, he provides the views of the management of the Company and substantial insight into the operations of the Company. As an employee of the Company since its inception, he also provides historical context for the Board's discussions.

Required Vote

Election as a Director of the Company requires that a nominee receive the affirmative vote of a majority of the shares of Common Stock represented at the Annual Meeting, in person or by proxy, and entitled to vote thereon. Accordingly, instructions to abstain will have the same effect as a vote against such nominee. Broker non-votes will have no impact on the election of Directors.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE "FOR" THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR NAMED ABOVE.

EXECUTIVE OFFICERS OF THE COMPANY

Certain information regarding those persons serving as the Company's executive officers is set forth below.

Edward J. Wehmer (65) — President and Chief Executive Officer — Mr. Wehmer serves as the Company's President and Chief Executive Officer. Accordingly, he is responsible for overseeing the execution of the Company's day-to-day operations and strategic initiatives. See the description above under "Proposal No. 1 — Election of Directors" for additional biographical information.

David A. Dykstra (58) — Senior Executive Vice President and Chief Operating Officer — Mr. Dykstra joined the Company in 1995 and currently serves as the Company's Chief Operating Officer. Prior to 2002, Mr. Dykstra served as the Company's Chief Financial Officer. Mr. Dykstra also serves as a Regional Market Head overseeing First Insurance Funding and Wintrust Life Finance divisions and First Insurance Funding of Canada. Prior thereto, Mr. Dykstra was employed from 1990 to 1995 by River Forest Bancorp, Inc., Chicago, Illinois, most recently holding the position of Senior Vice President and Chief Financial Officer. Prior to his association with River Forest Bancorp, Mr. Dykstra spent seven years with KPMG LLP, most recently holding the position of Audit Manager in the banking practice. Mr. Dykstra is a Director of Chicago Deferred Exchange Company, LLC, First Insurance Funding of Canada, State Bank of the Lakes, and Tricom and serves on the Executive Advisory Committee of FIRST Insurance Funding and Wintrust Life Finance, both divisions of Lake Forest Bank.

Kathleen M. Boege (52) — Executive Vice President, General Counsel and Corporate Secretary — Ms. Boege joined the Company in September 2015. Ms. Boege manages all legal affairs of the Company, as well as assisting banks and non-bank subsidiaries with legal matters. Prior to joining the Company, Ms. Boege served as General Counsel and Corporate Secretary of FreightCar America, Inc. from January 2013 through August 2015. She joined FreightCar America, Inc. from Bally Total Fitness Corporation ("Bally") where she served as Chief Administrative Officer, General Counsel and Secretary from August 2011 through December 2012. Prior to this role, she held other leadership roles in legal and human resources at Bally commencing in 2007. Prior to joining Bally, Ms. Boege was Vice President, Associate General Counsel and Assistant Secretary at the Chicago Stock Exchange. Prior to joining the Chicago Stock Exchange, Ms. Boege worked in private practice at two Chicago law firms from 1991 to 1999.

Timothy S. Crane (57) — Executive Vice President, Treasurer and Senior Market Head — Mr. Crane joined the Company in August 2008. He oversees Wintrust's subsidiary banks and was appointed to serve as Corporate Treasurer of the Company in January 2016. Prior to joining the Company, Mr. Crane served as President and Head of Retail Banking of Harris Bank in Chicago where he was employed for 24 years. Mr. Crane serves on the boards of the Metropolitan Family Services and the Bank Administration Institute. In addition, Mr. Crane is a Director of several of the Wintrust subsidiary banks including the two largest banks, Lake Forest Bank and Wintrust Bank where he serves as Chairman.

Guy W. Eisenhuth (63) — Executive Vice President and Regional Market Head — Mr. Eisenhuth joined the Company in January 2010 as President and Chief Executive Officer of Village Bank and was promoted in January 2014 to Executive Vice President and Regional Market Head and currently oversees Barrington Bank, Schaumburg Bank, St. Charles Bank and Village Bank. Prior to joining the Company, Mr. Eisenhuth served as Head of Commercial Banking of Fifth Third Bank in Chicago where he was employed for one year and worked for several years at J.P. Morgan Chase, and predecessors, ultimately serving as Senior Vice President-Group Head, Middle Market Banking. Mr. Eisenhuth is a Director of Barrington Bank, Schaumburg Bank, St. Charles Bank and Village Bank.

Leona A. Gleason (69) — Executive Vice President and Chief Administrative Officer — Ms. Gleason joined the Company in January 2010 and oversees certain administrative affairs of the Company including Operations, Compliance, Community Reinvestment Act, Bank Secrecy Act and Anti-Money Laundering. From 1996 to 2009, Ms. Gleason was Executive Vice President at FBOP Corporation, a $19 billion privately-held bank holding company. She had primary responsibility for Human Resources, Training, Compliance, Community Reinvestment Act, Bank Secrecy Act, Risk Management, Retail, Operations and Information Technology. Prior to her association with FBOP, from 1977 to 1996, Ms. Gleason was Senior Vice President at Corus Bankshares, Inc. where she managed Retail Banking, Operations, Information Technology, Compliance and Human Resources and from 1972 to 1977 was Vice President at Boulevard Bank.

David L. Larson (56) — Executive Vice President and Regional Market Head — Mr. Larson joined the Company in April 2010. He oversees the Managed Asset Division of the Company which directs collection efforts for both the Company's loan portfolios. He also serves as a Regional Market Head overseeing Old Plank Trail Community Bank, Beverly Bank and Wheaton Bank. Mr. Larson was the President and Chief Executive Officer of Wheatland Bank from December 2009 to April 2010, when it was taken into receivership by the FDIC and acquired by the Company. From 1995 until 2009, Mr. Larson served in various executive positions at Chicago subsidiaries of FBOP Corporation, a $19 billion privately-held bank holding company. Prior to his association with FBOP, Mr. Larson served in various commercial banking positions at American National Bank from 1987 to 1995. Mr. Larson is the Chairman of Beverly Bank and a Director of Old Plank Trail Community Bank and Wheaton Bank.

Richard B. Murphy (59) — Executive Vice President and Chief Credit Officer — Since January 2002, Mr. Murphy has served as the Company's Chief Credit Officer and is responsible for coordinating all the credit functions of the Company as well as its Treasury Management function and mortgage banking business. Mr. Murphy served as the President of Hinsdale Bank from 1996 until December of 2005. From 1993 until his promotion to President of Hinsdale Bank, Mr. Murphy served as the Executive Vice President and Senior Lender of Hinsdale Bank. Prior to his association with the Company, Mr. Murphy served as President of the First State Bank of Calumet City. Mr. Murphy is a Director of Hinsdale Bank. Mr. Murphy is on the Board of the Big Shoulders Fund, the Advisory Board of After School Matters, and is Co-Chair of the Keystone Board of Shirley Ryan Ability Labs. Mr. Murphy is married to the sister of Mr. Wehmer's wife.

David L. Stoehr (59) — Executive Vice President and Chief Financial Officer — Mr. Stoehr joined the Company in January 2002 and manages all financial and accounting affairs of the Company, including internal and external financial reporting. Previously, Mr. Stoehr was Senior Vice President/Reporting & Analysis at Firstar/U.S. Bancorp, Director of Finance/Controller of Associated Banc-Corp with primary responsibility for financial accounting and reporting, business unit financial management and data warehouse design and implementation. Prior to his association with Associated Banc-Corp, Mr. Stoehr was Assistant Vice President/Balance Sheet Management at Huntington Bancshares, Inc., Columbus, Ohio, from 1993 to 1995 and Financial Reporting Officer at Valley Bancorporation, Appleton, Wisconsin, from 1983 to 1993.

Thomas P. Zidar (50) — Executive Vice President and Senior Market Head of Wealth Management Services — Mr. Zidar joined the Company in 2006 and also serves as Chairman and Chief Executive Officer of Wintrust Wealth Management. Prior to joining the Company, Mr. Zidar worked at ABN AMRO/LaSalle Bank for nine years, most recently as Executive Vice President in the Personal Financial Services group of LaSalle Bank, responsible for five business units. Throughout Mr. Zidar's tenure with ABN AMRO/LaSalle Bank, he served as Chairman, President and CEO of ABN AMRO Financial Services; Senior Vice President, Integration Management; Senior Vice President/First Vice President, Acquisitions & Corporate Capital; and Vice President, Profit Enhancement. Previously, Mr. Zidar held positions as an Associate at A.T. Kearney, a management consulting firm, in Chicago, and as a Financial Analyst and Associate at TTG, an investment banking firm, in New York and London. Mr. Zidar serves as a Director of Great Lakes Advisors, Wintrust Investments, The Chicago Trust Company, and Chicago Deferred Exchange Company.

EXECUTIVE COMPENSATION — COMPENSATION DISCUSSION & ANALYSIS

This Compensation Discussion & Analysis section reviews the compensation program for our five named executive officers ("NEOs"), which include our principal executive officer, principal financial officer and our three other most highly-compensated executive officers as of December 31, 2018.

Our 2018 NEOs were:

Named Executive Officer	Title/Role
Edward J. Wehmer	President and Chief Executive Officer
David A. Dykstra	Senior Executive Vice President and Chief Operating Officer
Richard B. Murphy	Executive Vice President and Chief Credit Officer
Timothy S. Crane	Executive Vice President, Treasurer and Senior Market Head
David L. Stoehr	Executive Vice President and Chief Financial Officer

Executive Summary

2018 Business Highlights

In 2018, the Company achieved favorable business results overall with growth as a focus for both the banks and the non-bank business. Consistent with its founding values, the Company continued to adhere to its core principles of sound and conservative underwriting. The Company drove growth through both new bank branches and multiple acquisitions while also making significant investments in segments of the business as well as continued asset diversification. As a result of these steps and the executive officers' leadership, the Company generated its highest net income in history. We believe that the exceptional results achieved in 2018 highlighted the benefit of the guidance provided by the executive leadership team who maintained a measured and balanced approach to pursuing a comprehensive growth strategy and increasing net income, while maintaining credit quality and appropriate reserves.

The Compensation Committee of our Board (the "Committee") recognizes that the Company's executive officers have a key role in overseeing growth while appropriately managing risk. In that regard, the Committee considered the accomplishments of management in the following context (results are as of December 31, 2018):

- Generated highest reported net income in the history of the Company ($343.2 million, up 33% from $257.7 million in 2017);
- Increased deposits by 13% to $26.1 billion (a $2.9 billion increase from $23.2 billion in 2017);
- Increased loan portfolio (excluding loans held for sale) by 10% to $23.8 billion, the highest reported level in the history of the Company;
- Increased total assets to $31.2 billion;
- Reduced total non-performing assets as a percentage of total assets to 0.44%, down from 0.47% at the end of 2017;
- Increased number of banking offices to 167, compared to 157 in 2017, and planned for future organic growth;

- Continued strong capital ratios;
- Increased quarterly Common Stock dividend to $0.19 per share, resulting in total dividends of $42.8 million paid in 2018 to eligible holders of Common Stock; and
- Increased reported earnings per diluted share of Common Stock to $5.86 per share, up from $4.40 per share in fiscal year 2017.

The Committee also noted that 2018 was the Company's twenty-second consecutive year of profitability.

Highlights of our Executive Compensation Philosophy, Program and Practices

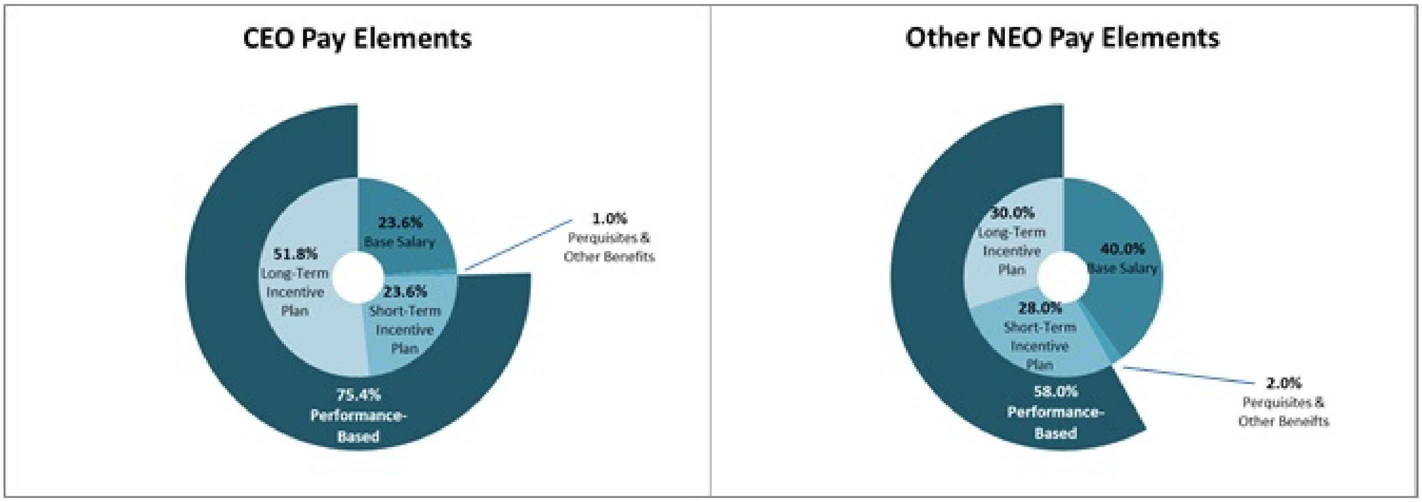
Philosophy and Culture of Achievement and Accountability

The Committee has responsibility for developing, implementing and monitoring our executive officer compensation program and policies as well as adherence with the Company's compensation philosophy. The Committee sets the compensation for all of our NEOs and reviews compensation for all executive officers of the Company. In administering the Company's executive compensation program, the Committee is mindful of our operating structure, culture and history as well as the growth strategy of our Company and its business. As a Company with growth oriented operations, we are cognizant that to attract and retain the managerial talent deemed necessary to operate and grow our businesses, we often have to compensate our executives with a view to the scope and complexity of the business we expect them to manage, rather than the size of the business they currently manage. Our assets have grown 73%, 36% and 12% over the last five, three and one year periods, respectively, and our loans, excluding covered loans and loans held for sale, have grown 85%, 39% and 10% over the same five, three and one year periods, respectively. Our compensation philosophy and programs are designed to attract and retain management capable of leading the organization in its efforts to create the infrastructure to meet its growth curve while still managing risk.

The Committee believes executives' total direct compensation should be heavily weighted toward incentive compensation rather than through fixed components such as base salary and benefits. This philosophy is intended to create and foster a pay-for-performance framework within defined risk parameters that drives shareholder value by aligning shareholder and NEO interests. Our Short-Term Incentive Plan, or STIP, and Long-Term Incentive Program, or LTIP, are designed to provide a significant percentage of our executives' total compensation which is linked to performance and the interests of our shareholders.

Our Pay-for-Performance Focus

Reinforcing pay for performance is an important underpinning of our compensation framework. For 2018, target performance-based compensation for our CEO and the other NEOs was approximately 75% and 58% of total compensation, respectively. As seen in the pie charts below, a majority compensation for the CEO and NEOs is performance based.



Our Executive Compensation Practices

What We Do	What We Don't Do
☑ **We Pay for Performance**: The majority of executive pay is not guaranteed. Our CEO and NEOs on average have approximately 75% and 58%, respectively, of their target total direct compensation tied to Company performance.	☒ **No Hedging or Short Selling:** Our NEOs are prohibited from engaging in short selling of our Common Stock or engaging in hedging or offsetting transactions regarding our Common Stock.
☑ **We Align Our Long-Term Incentives With Performance**: 100% of our long-term incentive awards vest based on three-year Company performance.	☒ **No Pledging**: Our NEOs are prohibited from pledging our securities.
☑ **We Set Stretch Goals**: Our performance hurdles are designed to require stretch individual performance along with superior returns in order to receive commensurate payout.	☒ **No Excessive Expenditures or Perquisites:** We have adopted a policy designed to prevent any excessive or luxury expenditures and maintain modest perquisites.
☑ **We Have a Clawback Policy:** In the event of a material negative restatement, we can claw back any payments made which were predicated on achieving certain financial results.	☒ **No Undue Risk:** We discourage excessive risk taking by having a balanced portfolio of short- and long-term incentive performance measures and a cap on final payouts.
☑ **We Require Stock Ownership:** We have robust ownership guidelines. Our CEO is required to hold Common Stock with a value equal to a multiple of six times base salary and our other NEOs are between one and three times base salary.	☒ **No Repricing Underwater Options:** Our stock incentive plan does not permit repricing or the exchange of underwater stock options without shareholder approval.
☑ **We Utilize Independent Compensation Expertise**: The Compensation Committee has retained Meridian, an independent compensation consultant, to advise on the executive compensation program and practices, including annual assessments of the Company's peer group.	☒ **No CIC Payment Absent a Double Trigger:** Payments under our employment agreements and our long-term incentive programs generally require two events for vesting - both a change in control and a qualifying termination of employment**.**

Shareholder Support

During its compensation review process, the Committee considers whether the Company's executive compensation and benefits program are in line with the interests of the Company's shareholders. In that respect, the Committee considered the approval by approximately 99% of the votes cast for the Company's "say on pay" proposal at the Company's prior annual meeting of shareholders and determined that the Company's executive compensation philosophy, compensation objectives, and compensation elements continued to be appropriate and did not make any changes to the Company's executive compensation program in response to such vote.

Compensation Philosophy and Objectives

The philosophy underlying our executive compensation program is to promote a pay-for-performance environment and remain competitive with market practices in order to attract and retain key talent, which will support the long-term success of the Company and build value for our shareholders.

The compensation elements included in the pay of our NEOs vary and are reflective of different pay objectives. Base salaries are intended to pay executives competitively relative to market peers and individual performance. Relevant performance factors that influence base pay include leadership, innovation, strategic contributions, maintaining effective company systems and infrastructure, customer service and talent management. Variable compensation (short-term and long-term incentives) is tied to financial measures (such as pre-tax net income, net interest margin, net overhead ratio, core loan asset and deposit growth, credit quality, and earnings per share) as well as the achievement of specific business objectives (including satisfactory regulatory exams), retention of the executive, and increased shareholder value. It is also the Committee's philosophy to provide retirement and health and welfare benefits to all employees on a non-discriminatory basis.

The Committee has set forth the following objectives for its executive compensation program:

- **Attract first-rate entrepreneurial talent that reflects our structure**. Our organizational design and structure are a significant part of our value proposition. Consequently, we need to hire leaders who will thrive within our structure, are able to operate well within a matrixed organizational structure which allows the capacity to act in equal measure autonomously at times and in collaboration at times, while driving growth and managing risk.
- **Focus on performance-based compensation**. Our compensation program is designed to support performance and achievement at every level of the organization, from the individual to the bank, subsidiary, and Company. It also drives performance across both short-term and long-term horizons.
- **A significant portion of total compensation should be in the form of long-term incentives**. Our compensation program includes incentives designed to align management and shareholder interests over a multi-year performance period. This longer-term horizon also helps promote retention and therefore business continuity.
- **Long-term incentive compensation should balance growth and risk.** Our longer term rewards are structured to help mitigate excessive risk-taking since leaders are rewarded for creating lasting value for the Company and its shareholders.
- **Long-term incentive compensation should be highly correlated with returns**. The prescribed performance goals under our long-term incentive compensation program are designed to be challenging and

at or above target payouts should be achievable only with above target, superior organizational performance.

- **Compensation levels should be competitive to ensure that we attract and retain a highly qualified management team to lead and grow our Company**. The successful operation of our Company requires an experienced and talented management team. We hire for both the current and anticipated future needs of the organization, so executives must be able to effectively lead the organization now, and also meet future needs of a growing organization. To do this, our compensation program must be competitive with those of our peer firms to attract and retain talent that is capable of scaling for the future.
- **Compensation opportunities should be commensurate with an executive's roles and responsibilities**. Our organization values talented executives who perform comprehensively, both within their specific roles as well as taking on more leadership responsibilities. Consequently our compensation program seeks to recognize and reward our executives who are most responsible for the performance of the Company and who engage in broader duties than their job titles may imply.
- **Compensation for NEOs should be fair and perceived as such, both internally and externally.** We measure the appropriateness of our compensation offerings by comparing them both internally and externally to peer group benchmarks. Shareholders are best served when we can attract and retain talented executives with compensation packages that are competitive but fair.

Peer Group Benchmarking

On an annual basis, the independent compensation consultant, Meridian Compensation Partners LLC ("Meridian"), provides the Committee with assessments of the competitive market and best practices relating to executive compensation practices, including peer group benchmarking, pay-for-performance analysis, research on regulatory and industry trends, and program design. The Committee utilizes these assessments when considering compensation program design and other decisions.

Peer Group Analysis. On an annual basis, the Committee asks Meridian to review the peer group to evaluate whether it reflects the appropriate population of banks both regionally and nationally similar to Wintrust in size, scope and complexity. When identifying and constructing the competitive peer group, the Committee took into consideration which companies compete for customers, executive talent or investors, as well as other factors including the amount of commercial and industrial loans, level of non-interest revenue, and comparability in business models. These factors were considered as the Committee sought to develop a peer group that approximated the size and the structure of the Company. The following peer group, developed in 2017 and used by the Committee to make 2018 compensation decisions, was comprised of 21 banks, including 14 similarly-sized national banks and seven Midwestern banks. This reference group of banks had assets between $13 billion and $40 billion in 2017, with Wintrust's assets then positioned at approximately the median.

National Holding Company Peer Group		
People's United Financial, Inc.	East West Bancorp	BOK Financial Corporation
Synovus Financial Corp.	Cullen/Frost Bankers, Inc.	First Horizon National Corporation
Webster Financial Corporation	BankUnited	Hancock Holding Company
F.N.B. Corporation	Texas Capital Bancshares, Inc.	IBERIABANK Corporation
Sterling Bancorp	Trustmark Corporation	
Midwestern Holding Company Peer Group*		
Associated Banc-Corp	Commerce Bancshares, Inc.	TCF Financial Corporation
UMB Financial Corporation	MB Financial, Inc.	Old National Bancorp
First Midwest Bancorp, Inc.		

* Private Bancorp was eliminated from this peer group in 2018 due to it being acquired in 2017.

When making compensation decisions, the Committee reviews the compensation paid to our CEO and other NEOs relative to the compensation paid to similarly-situated executives, to the extent available, at our peer companies based on publicly available information reported in our peers' proxy statements.

In December 2017, Meridian provided the Committee with background information regarding the Company's compensation structure as compared to market practices. Meridian also provided the Committee with an analysis undertaken with respect to each of the NEO's positions, including a comparison of actual total compensation, total direct compensation, target total direct compensation as well as each component of compensation on a comparative basis with the Company's peer group and market data where available.

In addition, the Committee reviewed NEO compensation in the aggregate to that of our peer group. The Committee believes that reviewing compensation across both dimensions or their role and in aggregate provides them with the most well-rounded view of the appropriateness of NEO compensation levels relative to peers.

Pay-for-Performance Analysis

In July 2018, Meridian conducted a pay-for-performance analysis which compared realized and realizable pay for the CEO and the other NEOs as compared to the chief executive officer and named executive officers in our peer group. This analysis provided a retrospective look which evaluated the historical relationship between pay and performance, helped evaluate the effectiveness of the Company's pay structures and performance goals and helped determine if pay was aligned with performance. The study found that changes made in 2017 improved the three year alignment between the Company's historical performance and the NEOs' actual pay results, noting that the Company continued to perform on a composite basis in the top quartile of the benchmarked peer group and each of the NEO's pay and performance was appropriately aligned when compared with the peer group for the three-year period ending in

2017. The Committee intends to periodically conduct this analysis as it continues to monitor the effectiveness of the Company's executive pay program.

2018 Compensation Elements and Decisions

This section describes the various elements of our 2018 compensation program for the NEOs and outlines why the Committee chose each element, how it's determined and its impact on the Committee's pay decisions.

Element	Key Characteristics	Why We Pay this Element	How We Determine the Amount	2018 Decisions
Base Salary	Fixed compensation component payable in cash. Reviewed annually and adjusted when appropriate.	Provide a base level of competitive cash compensation for executive talent.	Experience, job scope, market data, and individual performance.	Base salary increases were approved for the NEOs in 2018, ranging between 0.0% and 2.6%.
Annual Bonus	Variable compensation component payable in cash or stock. Performance is 75% allocated to financial measures and 25% allocated to individual performance goals. Payment is capped at 150% of target.	Motivate and reward executives for performance on key operational, financial and individual objectives met during the course of the year.	Market practices and individual performance with actual payouts based on the extent to which performance goals are achieved.	Annual bonus payouts ranged from 106.1% to 127.8% of target, based on a combination of Company and individual performance.
Long-Term Incentives	Variable compensation component payable in performance-based restricted stock units and performance-based cash. Payments are capped at 150% of target.	Align long-term interests of management and shareholders. Retain executive talent.	Market practices and performance, with performance-based cash and restricted stock unit payouts based on performance.	2016-2018 LTIP paid out at 132% of target based on performance against three-year cumulative adjusted earnings per share.
Perquisites and Other Personal Benefits	Compensation component to provide basic competitive benefits.	Provide a base level of competitive compensation for executive talent.	Periodic assessment of competitive offerings.	No substantive change from prior years.

Base Salary

The Company provides NEOs with base salary to compensate them for services rendered during the fiscal year and reflect each NEO's position, specific skills, tenure, experience, responsibility and performance. Annual base salary adjustments for NEOs for any given year are generally determined by the Committee at its meeting in January. Increases, if any, in base salary on a year-over-year basis are dependent on the Committee's assessment of the Company's and individual's performance and feedback from Meridian regarding market competitive base salaries. The Committee has full discretion to set NEO salary at any level it deems appropriate. As part of this process, the Committee solicits the recommendations of Mr. Wehmer with respect to the NEOs (other than Mr. Wehmer and Mr. Murphy). The Committee also considers peer data provided by Meridian, internal pay equity and merit history in evaluating recommendations.

In 2018, the Committee made the following determinations relative to base salary.

Executive	2017 Base Salary	2018 Base Salary
Edward J. Wehmer	$1,150,000	$1,150,000
David A. Dykstra	$790,000	$800,000
Richard B. Murphy	$575,000	$590,000
David L. Stoehr	$465,000	$475,000
Timothy S. Crane	$465,000	$475,000

Annual Bonus

The Company's performance-based annual bonuses are based on each NEO's overall performance and the achievement of performance goals subject to the discretion and adjustment by the Committee. Annual bonuses are intended to provide officers with an opportunity to receive cash compensation (may be paid in equity at the discretion of the Committee), based on consideration of the Company, subsidiary and individual performance goals. Performance-based bonuses are a key component of our total compensation package because they reward our executives for pursuing objectives that the Committee believes are consistent with the overall goals and strategic direction that the Board has set for the Company.

NEO bonus targets are reviewed by the Committee annually to evaluate appropriateness to the current business cycle and competitiveness relative to the market. In determining the target annual bonuses, the Committee considers several factors, including:

- market practices;
- the target annual bonuses set and achieved in recent years;
- the desire to provide, as described above, a substantial portion of total compensation as performance-based; and
- the relative importance and degree of difficulty of the short-term and long-term performance goals of the Company.

Once the annual bonus opportunity is established, the Committee converts the target bonus opportunity to a range of payout levels as a percentage of base salary with a maximum payout opportunity of 150% of target for 2018. Below are the bonus award opportunities (at both target and maximum levels) for our NEOs in 2018, expressed as a percentage of base salary, which did not change from the bonus opportunities for the 2017 bonus program:

Named Executive Officer	Target	Maximum
Edward J. Wehmer	100%	150%
David A. Dykstra	70%	105%
Richard B. Murphy	70%	105%
David L. Stoehr	70%	105%
Timothy S. Crane	70%	105%

For 2018, the target annual bonus opportunity was allocated in the following manner based upon the executive's role:

- 75% based on Company performance, associated with consolidated pre-tax net income; and
- 25% based on individual goals and objectives.

Based upon the weighting outlined above of the 75/25 allocation of the bonus target, the table below reflects each NEO's 2018 base salary and how their total incentive targets were allocated as a percentage of each NEO's base salary.

Executive	2018 Base Salary	2018 Total Bonus Percentage at Target	Percentage Allocated to Company Performance	Percentage Allocated to Individual Objectives
Edward J. Wehmer	$1,150,000	100.00%	75.00%	25.00%
David A. Dykstra	$800,000	70.00%	52.50%	17.50%
Richard B. Murphy	$590,000	70.00%	52.50%	17.50%
David L. Stoehr	$475,000	70.00%	52.50%	17.50%
Timothy S. Crane	$475,000	70.00%	52.50%	17.50%

Development of Company Performance Objectives

One of the key Company-level objectives for 2018 was to achieve consolidated pre-tax net income of $451.5 million. The Committee used the following guidelines to set the high, target, low, or threshold portion of the annual bonus award opportunity allocated to the Company-level objective:

Wintrust 2018 Consolidated Pre-Tax Net Income	Performance-Weighting of Company-Level Annual Bonus Award
Greater than $451.5 million	High
$451.5 million	Target
$406.3 million to $451.5 million	Low
$316.0 million to $406.3 million	Threshold

Development of Individual Performance Objectives

The performance objectives for the NEOs are developed through an iterative process between the Committee and management. Management develops an initial set of recommended objectives based upon business needs. The Committee reviews the proposed objectives and revises/amends them at its discretion, after considering whether the objectives are aligned with the Board of Director's strategic focus. The following objectives, among others including regulatory objectives, were established for the NEOs in 2018:

Edward J. Wehmer

- Improve core performance of the enterprise reflected in various measures such as core loan, asset and deposit growth, net overhead ratio, performance on niche and core loans, earnings per share, stock price, shareholder return, and net income.
- Continue to identify and acquire strategic assets, asset generation platforms and bank acquisitions to complement the Company's strategy.
- Maintain the appropriate organizational infrastructure to support technology efforts, expansion efforts, streamlining operations and expense management.
- Identify and execute key partnerships to complement the Company's strategy.

David A. Dykstra

- Lead all market transactions and strategic acquisition activities. Execute acquisitions and oversee integration.
- Increase core earnings and net income through planned and profitable growth. Improve year-over-year performance in core loan, asset and deposit growth, net overhead ratio, performance on niche loans, earnings per share, stock price, and shareholder return.
- Maintain cost effective, scalable and efficient internal operations.
- Oversee IT and Information Security infrastructure enhancements.

Richard B. Murphy

- Maintain core portfolio and non-performing assets at acceptable levels.
- Work with operations to assist in credit related systems implementations to enhance the efficiency of the credit function.
- Preserve exemplary credit quality through effective underwriting and disciplined loan management.
- Provide leadership to mortgage business to optimize business outcomes.
- Improve asset quality and improve management reporting on all loans.

David L. Stoehr

- Proactively develop strategies to manage interest rate risk and improve earnings.
- Provide effective analytics, metrics and reporting to measure performance of all loans.
- Maximize use of capital and ensure liquidity levels are maintained across the enterprise.
- Provide acquisition support and seamless on-boarding and integration of acquisitions.

Timothy S. Crane

- Manage all banks to meet/exceed financial targets.
- Achieve loan growth without credit loss outside acceptable ranges.
- Focus on expansion and new branch openings.
- Maintain an appropriate focus on enhancing customer relationships.

Performance Results and Payouts

As noted above under "2018 Business Highlights," the Company achieved exceptional results in 2018, which we believe highlights the benefit of the guidance provided by the Company's executives.

Consolidated Pre-Tax Net Income: The Company's consolidated pre-tax net income for the year ended December 31, 2018 was $460.1 million, above target. In determining the actual annual bonus for each NEO associated with the achievement of Company-level objectives, the Committee considered a number of factors, including the following achievements:

- Company's achievement of 101.9% of the consolidated pre-tax net income objective;

- Solid key performance indicators, including net interest margin, net overhead ratio, loan, asset and deposit growth and credit quality;
- Continued progress on diversification strategy via expanded lines of business; and
- Continued build out of enterprise infrastructure to support future success of organization.

Individual Performance Objectives: The Committee determined that each of the NEOs achieved or exceeded their individual performance objectives.

Total Bonus Payout: The final determination of an NEO's actual bonus payment is based on the Committee's holistic evaluation of Company and individual performance metrics including consolidated pre-tax net income, individual performance objectives, and discretionary factors. The Committee retains the discretion to determine the amount of any annual bonus awarded to an NEO. The final determination of the Committee could result in no bonus being paid or a bonus amount above or below a strictly formulaic view of performance. Based on their analysis, the Committee exercised its discretion, and approved the annual bonus award for each NEO. Overachievement by Mr. Wehmer and the other NEO's relative to the accomplishment of the Company's financial objectives was taken into account. Additionally, bonuses were informed by the Committee's intention to ensure that total cash compensation was at an appropriate competitive position relative to the Company's performance. The following table sets forth the total eligible annual bonus amounts at target and annual bonuses actually paid to each of our NEOs under the 2018 NEO bonus program.

Named Executive Officer	Total Annual Bonus at Target	Total Annual Bonus Paid	% Bonus Paid vs. Target
Edward J. Wehmer	$ 1,150,000	$ 1,470,000	127.83%
David A. Dykstra	$ 560,000	$ 661,500	118.13%
Richard B. Murphy	$ 413,000	$ 490,000	118.64%
David L. Stoehr	$ 332,500	$ 352,800	106.11%
Timothy S. Crane	$ 332,500	$ 357,700	107.58%

Our annual bonus may be paid in cash and/or equity at the discretion of the Committee. With regard to 2018 performance, annual bonuses awarded by the Committee to the NEOs were paid in cash.

Long-Term Incentive Plan (LTIP)

The Committee believes that a substantial portion of each NEO's compensation should be in the form of long-term incentive compensation in order to further align the interests of our NEOs and shareholders. The framework is also designed to:

- provide a competitive compensation opportunity;
- foster retention;
- allow the Company to compete effectively for talent;
- incorporate leading practices;
- provide transparency;

- support the Company’s long-term strategy and growth objectives;
- align management’s long-term compensation with shareholder returns;
- link pay and performance;
- create a long-term focus based on sustainable results; and
- create stock ownership.

Award Mix

The Committee administers the LTIP and can determine on an annual basis the mix of awards included in the annual grant. The Committee determined that the 2018 award vehicle mix should be comprised of the following:

Award Vehicle Mix	**% of Award**
Performance-Based Cash Awards	50%
Performance-Based Restricted Stock Units	50%

Performance-based cash and performance-based restricted stock units are designed to promote pay for performance since the awards vest only upon the achievement of certain performance conditions. Performance-based awards under the LTIP are contingent upon the achievement of pre-established long-term goals set in advance by the Committee over a multi-year period (i.e., three years), with overlapping performance cycles. Performance-based cash and equity awards are earned only at the end of the performance cycle based on the Company’s performance against pre-established goals certified by the Committee, subject to negative discretionary adjustments.

In 2018, the Committee selected three-year cumulative earnings per share (as adjusted to exclude acquisition-related charges, the effect of certain changes in the effective tax rate and any excess tax benefits or tax deficiencies related to stock-based compensation awards as determined by the Committee, “Cumulative Adjusted EPS”) as the measure for the 2018-2020 LTIP cycle. The Company believes that targets established by the Committee for this performance metric are reasonably achievable with strong executive management performance.

2018 LTIP Target and Grants: The Committee provided a 2018 LTIP grant for the performance period from January 1, 2018 through December 31, 2020, with the performance-based restricted stock units and cash awards that are scheduled to vest based on our Cumulative Adjusted EPS performance during the performance period. Based on the competitive and pay for performance reviews conducted during 2017, the Committee increased Mr. Wehmer’s target LTIP to 220% to be more in line with the Company's peer group and to continue to focus the majority of his pay on the Company's long-term performance. In July, 2018, the Committee approved a supplemental LTIP grant to Mr. Wehmer that would result in a total 2018 award consistent with the 220% target opportunity. The grant was made in the same manner as the January 2018 grant (i.e., 50% restricted stock units and 50% cash based on the same performance metrics). The ultimate value of the awards will depend on the Company's stock price and performance relative to three-year goals. Each NEO's long-term incentive target percentage, as a percentage of base salary, is outlined below:

Named Executive Officer	Target Percentage of Base Salary
Edward J. Wehmer	220.0%
David A. Dykstra	75.0%
Richard B. Murphy	75.0%
David L. Stoehr	75.0%
Timothy S. Crane	75.0%

Performance-Based Restricted Stock Unit Awards and Performance-Based Cash Awards: The performance-based restricted stock unit awards (50% of incentive target opportunity) and performance-based cash awards (50% of target incentive opportunity) will each be measured at the end of a performance period ending December 31, 2020. The threshold, target and maximum award opportunities for each NEO for the performance-based restricted stock unit and cash awards is set forth in the following two tables:

Performance-Based Restricted Stock Unit Awards

Named Executive Officer	Number of shares - Maximum Performance	Number of shares - Target Performance	Number of shares - Threshold Performance
Edward J. Wehmer	21,475	14,316	7,159
David A. Dykstra	5,036	3,357	1,679
Richard B. Murphy	3,666	2,444	1,222
David L. Stoehr	2,964	1,976	988
Timothy S. Crane	2,964	1,976	988

Performance-Based Cash Awards

Named Executive Officer	Amount payable under performance-based cash awards- Maximum Performance	Amount payable under performance-based cash awards- Target Performance	Amount payable under performance-based cash awards- Threshold Performance
Edward J. Wehmer	$ 1,897,500	$ 1,265,000	$ 632,500
David A. Dykstra	$ 444,375	$ 296,250	$ 148,125
Richard B. Murphy	$ 323,438	$ 215,625	$ 107,813
David L. Stoehr	$ 261,563	$ 174,375	$ 87,188
Timothy S. Crane	$ 261,563	$ 174,375	$ 87,188

2016-2018 LTIP Results and Payment: The 2016-2018 LTIP used a mix of awards comprised of 50% performance-based cash awards, 25% performance-based restricted stock unit awards and 25% time-vested options. The Committee determined for this performance cycle to use cumulative earnings per share as the performance measure, adjusted for a one-time unusual acquisition expense. The following chart outlines the performance award matrix adopted in conjunction with the 2016-2018 LTIP cycle for the performance-based cash and performance-based restricted stock unit awards:

	Cumulative Adjusted EPS over 3 year Performance Period	**Payout % of Target Award**
Maximum	$13.45	150%
Target	$12.30	100%
Threshold	$10.00	50%
< Threshold	<$10.00	0%

Based on the achievement levels with respect to the 2016-2018 performance measure, the Committee certified a payout equal to 132% of target which was paid on March 1, 2019, as set forth in the following table:

	Cash Payment(1)	**Value of Performance-Based Restricted Stock Unit Settlement (2)**	**Total Value Delivered (3)**
Edward J. Wehmer	$ 965,250	$ 845,170	$ 1,810,420
David A. Dykstra	$ 381,150	$ 344,670	$ 725,820
Richard B. Murphy	$ 257,400	$ 232,785	$ 490,185
David L. Stoehr	$ 192,679	$ 174,256	$ 366,935
Timothy S. Crane	$ 182,655	$ 165,167	$ 347,822

(1) Mr. Wehmer's performance-based cash award was paid in the amount of $868,725, with the remaining 10% (or $96,525) deferred to the later of March 27, 2026 or retirement.

(2) The NEOs received shares as follows: Mr. Wehmer 11,809 (fully deferred until the later of March 27, 2026 or retirement); Mr. Dykstra 4,664; Mr. Murphy 3,150; Mr. Stoehr 2,358; and Mr. Crane 2,235. The value ascribed in the table above was derived based on the $73.90 fair market value of a share of Common Stock on March 1, 2019, the date these awards were settled. Mr. Wehmer's award is valued based on the fair market value on January 24, 2019 of $71.57, which is the date on which the Committee certified the performance criteria and the earned shares were deemed deferred.

(3) These values are exclusive of the values of the options also granted as part of the 2016-2018 LTIP awards which were previously disclosed and not subject to the performance conditions noted above.

Perquisites and Other Benefits

Our NEOs receive modest perquisites provided by or paid for by the Company that the Committee believes are reasonable, competitive and consistent with the Company's overall compensation philosophy. In 2018, these perquisites included: car allowances or Company-owned automobiles; club dues; life insurance; and supplemental long-term disability. Our NEOs were also eligible for a 401(k) employer matching contribution on the same terms as all other employees of the Company.

The Committee reviews the perquisites provided to its NEOs on a regular basis to evaluate whether they continue to be appropriate in light of the Committee's overall goal of designing a competitive compensation program for NEOs that is aligned with the interests of our shareholders. Attributed costs of the personal benefits described above for the NEOs for the fiscal year ended December 31, 2018 are included in column (i) of the "2018 Summary Compensation Table."

Post-Termination Compensation

We have entered into employment agreements with each of our NEOs that provide for post-termination compensation. These agreements provide for payments and other benefits if the NEO's employment terminates for a qualifying event or circumstance, such as being terminated without "Cause" or leaving employment for "Constructive Termination," as these terms are defined in the employment agreements. Additionally, the employment agreements provide for the payment of enhanced severance benefits if the NEO's employment is terminated within eighteen months of a "Change-in-Control" (as defined in the agreements). Additional information regarding the employment agreements, including a definition of key terms and a quantification of benefits that would have been received by our NEOs had termination occurred on December 31, 2018, is found under the heading "Potential Payments upon Termination or Change in Control" on page 62 of this Proxy Statement.

The Committee believes that these employment arrangements are an important part of overall compensation for our NEOs and will help to secure the continued employment and dedication of our NEOs, prior to or following a change in control, notwithstanding any concern that they might have at such time regarding their own continued employment. These agreements also contain restrictive covenants, including non-compete and non-solicitation provisions, which protect the Company's interests in its client and employee relationships. The Committee also believes that these agreements are important as a recruitment and retention device, as nearly all of the companies with which we compete for executive talent have similar agreements in place for their senior employees.

Additional Information Regarding Compensation Policies

We have additional compensation policies that support our practices. These policies serve to further illustrate and provide context around our approaches to compensation.

Clawback Policy. Our Clawback policy provides that the Company may recover any payment or equity awards made to a current or former executive officer, if the payment was predicated upon achieving certain financial results that were subsequently the subject of a material negative restatement caused by the intentional misconduct of the executive officer. In such event, the Company may recover the amount by which any annual or long-term payments or awards made or granted exceeded what would have been awarded or granted based on restated financials. In addition, the Company may recover any profits realized on the sales of securities received by such executive officer pursuant to such awards.

In addition, the clawback provision of the Sarbanes-Oxley Act of 2002 also applies to Messrs. Wehmer and Stoehr. This provision provides that if the Company is required to restate its financials as a result of misconduct, Mr. Wehmer and Mr. Stoehr are required to reimburse the Company for bonuses or other incentive-based or equity-based compensation and profits realized in the 12 months after the financial information was first publicly issued or filed with the SEC.

Policy Regarding Excessive or Luxury Expenditures. Our Board adopted a policy designed to eliminate or prevent any excessive or luxury expenditures, including excessive expenditures on entertainment or events, office and facility renovations, aviation or other transportation services. A copy of this policy is available on our website, www.wintrust.com.

Tax Gross-Up Provisions. Effective May 20, 2009, the Company adopted a policy that it will not enter into any new or materially amended agreements with NEOs that include any excise tax gross-up provisions with respect to payments contingent upon a change in control.

Prohibition on Hedging and Short Selling. The Company's executive officers and Directors are prohibited from engaging in short selling of the Common Stock or engaging in hedging or offsetting transactions regarding the Common Stock.

Prohibition on Pledging Stock. In April 2013, the Company adopted a policy prohibiting executive officers and Directors from pledging any of the Company's securities.

Stock Ownership Guidelines. In January 2011, the Company adopted stock ownership guidelines for our executive officers as part of our commitment to corporate governance and to strengthen the alignment of interests between our executive officers and shareholders. Under the guidelines, our Chief Executive Officer and other NEOs are expected to accumulate shares of Common Stock to meet the applicable ownership level within five years of their election or appointment (the "Measurement Date").

For purposes of the guidelines, "shares" include shares owned by the executive or the executive's immediate family members residing in the same household, including shares held in the Company's 401(k) plan or employee stock purchase plan, shares held in trust for the benefit of the executive or the executive's family, shares obtained through stock option exercise, deferred shares, shares of restricted stock and restricted stock units granted under the Company's equity plans.

Title	**Guideline**
Chief Executive Officer	6 times base salary
Chief Operating Officer and Chief Credit Officer	3 times base salary
Other Named Executive Officers	1 times base salary

The Committee reviews an executive's progress toward achieving the applicable guideline. An executive's progress toward the applicable ownership guideline is expected to be approximately 20% per year. If the Committee determines that an executive has not demonstrated sufficient progress toward compliance with the applicable guideline, it may take appropriate action. The Committee determined that each of these executives met this requirement as of December 31, 2018.

Compensation Process and Roles

Role of Management. The Committee made all 2018 compensation decisions for our NEOs. Mr. Wehmer and Mr. Dykstra annually review the performance of each of the Company's and its subsidiaries' officers (other than Mr. Dykstra, whose performance is reviewed by Mr. Wehmer, and Mr. Wehmer whose performance is reviewed by the Committee, and Mr. Murphy whose performance is reviewed by the Committee due to the fact that he is married to the sister of Mr. Wehmer's wife). The conclusions reached and the compensation recommendations based on these reviews, including with respect to salary adjustments and incentive award amounts, were presented to the Committee. The Committee exercised its discretion in modifying any recommended adjustment or award.

Committee Process. During 2018, the Committee reviewed both the Company's compensation philosophy and the actual compensation being paid by the Company. The Committee met, including in executive sessions without any members of management present, to discuss, evaluate and set executive officer compensation. In setting compensation for each of the NEOs, the Committee focused on the total compensation received by each NEO, as well as the allocation of each element of compensation in relation to those provided by the peer companies identified above. The Committee acted pursuant to a written charter that had been approved by our Board.

Compensation Consultant. The Committee has the sole authority to retain and dismiss its own outside compensation consultants and any other advisors it deems necessary. The role of a compensation consultant is to assist the Committee in analyzing executive compensation packages and to provide the Committee with information regarding market compensation levels, general compensation trends and best practices. The consultant also provides advice regarding the competitiveness of specific pay decisions and actions for the NEOs, as well as the appropriateness of the design of the Company's executive compensation program. In 2018, the Committee engaged Meridian to advise it on executive compensation-related issues and to provide advice relating to establishing bonus opportunities and target incentives for 2018. In addition, Meridian provided guidance on leading practices on compensation. Meridian attended meetings of the Committee, including executive sessions, upon invitation. Meridian did not provide any other services to the Company. The Committee has assessed the independence of Meridian pursuant to the rules of the SEC and concluded that Meridian's work for the Committee does not raise any conflicts of interest.

2018 Summary Compensation Table

The following table summarizes compensation awarded to, earned by or paid to our NEOs for 2018, 2017, and 2016. The section of this Proxy Statement entitled "Compensation Discussion & Analysis" describes in greater detail the information reported in this table and the objectives and factors considered in setting NEO compensation.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (1)	Stock Awards ($)(2) (e)	Option Awards ($) (3) (f)	Non-Equity Incentive Plan Compensation ($)(4) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($)(5) (i)	Total ($) (j)
Edward J. Wehmer	2018	1,150,000	1,470,000	1,265,000	—	965,250	—	50,181	4,900,431
President & Chief Executive	2017	1,147,884	1,450,375	920,000	—	679,250	—	45,656	4,243,165
Officer	2016	1,125,000	1,350,675	365,625	365,625	643,500	—	48,710	3,899,135
David A. Dykstra	2018	799,115	661,500	296,250	—	381,150	—	35,895	2,173,910
Senior Executive Vice President	2017	788,308	660,000	288,750	—	270,750	—	35,162	2,042,970
& Chief Operating Officer	2016	770,000	600,000	144,375	144,375	253,125	—	32,783	1,944,658
Richard B. Murphy	2018	588,673	490,000	215,625	—	257,400	—	28,949	1,580,647
Executive Vice President &	2017	571,192	484,000	198,750	—	181,688	—	29,685	1,465,315
Chief Credit Officer	2016	529,231	440,000	97,500	97,500	168,750	—	24,982	1,357,963
David L. Stoehr	2018	474,115	352,800	174,375	—	192,679	—	26,343	1,220,312
Executive Vice President &	2017	463,096	358,050	165,938	—	134,663	—	24,662	1,146,409
Chief Financial Officer	2016	441,731	305,000	72,984	72,984	124,538	—	23,365	1,040,602
Timothy S. Crane	2018	474,115	357,700	174,375	—	182,655	—	24,618	1,213,463
Executive Vice President,	2017	461,192	358,000	157,500	—	128,250	—	24,557	1,129,499
Treasurer & Senior Market Head	2016	419,231	300,000	69,188	69,188	116,943	—	21,413	995,963

(1) The amounts shown in this column for 2018 consist of cash annual bonus awards paid in 2019 with respect to 2018 performance for each of the NEOs.

(2) The amounts shown in this column for 2018 represent performance-based restricted stock unit awards granted under the Company's LTIP. These awards are valued based on the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation - Stock Compensation ("FASB ASC Topic 718") and are reported based on the probable achievement of the performance-based vesting conditions at the time of grant. Under the LTIP, if the highest achievement level is attained for the 2018 performance-based restricted stock unit awards, the maximum grant date fair value for these awards is as follows: Mr. Wehmer $1,897,500; Mr. Dykstra $444,375; Mr. Murphy $323,438; Mr. Stoehr $261,563; and Mr. Crane $261,563. The grant date fair value of the awards represents the average of the high and low sale prices of the Common Stock on the date of grant, as reported by NASDAQ multiplied by the shares subject to the award at target level.

(3) The amounts shown in this column constitute options granted under the Company's 2015 Stock Incentive Plan (the "2015 Plan"). Amounts shown reflect the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for awards granted during fiscal year 2016. The accounting policy and assumptions for stock-based compensation are described in Notes 1 and 18 to the Company's Consolidated Financial

Statements included in its Annual Report on Form 10-K for the year ended December 31, 2018. No options were granted in 2018 or 2017.

(4) Amounts reported for 2018 represent the cash portion of the 2016-2018 LTIP payment made in 2019.

(5) Amounts in this column include the value of all other compensation paid to or received by the NEOs in 2018. Please see the "All Other Compensation" table below for further information regarding these amounts. Perquisites are valued at actual amounts paid for such perquisites and other compensation.

All Other Compensation

Named Executive Officer	Corporate Automobile Usage ($)	Club Memberships Not Exclusively For Business Use ($)	Life Insurance Premiums ($)	Supplemental Long-Term Disability ($)	401(k) Plan Matching Contribution ($)	Total ($)
Edward J. Wehmer	20,655	9,894	13,565	1,067	5,000	50,181
David A. Dykstra	24,961	—	5,934	—	5,000	35,895
Richard B. Murphy	8,681	6,534	8,734	—	5,000	28,949
David L. Stoehr	12,000	1,191	8,152	—	5,000	26,343
Timothy S. Crane	12,000	1,684	5,934	—	5,000	24,618

2018 Grants of Plan-Based Awards Table

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)						
Name (a)	Grant Date (b)	Threshold ($) (d)	Target ($) (e)	Maximum ($) (f)	Threshold (#) (g)	Target (#) (h)	Maximum (#) (i)	All Other Stock Awards: Number of Shares of Stock or Units (#) (j)	All Other Option Awards: Number of Securities Underlying Options (#) (k)	Exercise or Base Price of Option Awards ($/Sh) (l)	Grant Date Fair Value of Stock and Option Awards ($/Sh) (3) (m)
Edward J. Wehmer	1/25/2018	517,500	1,035,000	1,552,500	—	—	—	—	—	—	—
	1/25/2018	—	—	—	5,865	11,729	17,594	—	—	—	1,035,000
	7/26/2018	115,000	230,000	345,000	—	—	—	—	—	—	—
	7/26/2018	—	—	—	1,294	2,587	3,881	—	—	—	230,000
David A. Dykstra	1/25/2018	148,125	296,250	444,375	—	—	—	—	—	—	—
	1/25/2018	—	—	—	1,679	3,357	5,036	—	—	—	296,250
Richard B. Murphy	1/25/2018	107,813	215,625	323,438	—	—	—	—	—	—	—
	1/25/2018	—	—	—	1,222	2,444	3,666	—	—	—	215,625
David L. Stoehr	1/25/2018	87,188	174,375	261,563	—	—	—	—	—	—	—
	1/25/2018	—	—	—	988	1,976	2,964	—	—	—	174,375
Timothy S. Crane	1/25/2018	87,188	174,375	261,563	—	—	—	—	—	—	—
	1/25/2018	—	—	—	988	1,976	2,964	—	—	—	174,375

(1) The amounts in this column represent performance-based cash awards granted to the NEOs pursuant to the 2018 LTIP and granted under the 2015 Plan that will be earned at the end of the performance cycle ending December 31, 2020 based on the Company's achievement of performance objectives relating to the Company's Cumulative Adjusted EPS. Subject to certain qualifying termination events, the participant is required to be employed on the award settlement date in order to vest in the award.

(2) The amounts in this column represent performance-based restricted stock unit awards granted to the NEOs pursuant to the 2018 LTIP and granted under the 2015 Plan that will be earned at the end of the performance cycle ending December 31, 2020 based on the Company's achievement of performance objectives relating to the Company's Cumulative Adjusted EPS. Subject to certain qualifying termination events, the participant is required to be employed on the award settlement date in order to vest in the award.

(3) The amounts in this column are valued based on the grant date fair value of the award calculated in accordance with FASB ASC Topic 718 and, in the case of the performance-based restricted stock unit awards, are based on the probable outcome of the applicable performance conditions. See Notes 2 and 3 to the 2018 Summary Compensation Table for a discussion of the relevant assumptions used in calculating the grant date fair value.

Narrative to the Summary Compensation Table and Grants of Plan-Based Awards Table

Each of our current NEOs is subject to an employment agreement with the Company. The initial terms under the employment agreements of Messrs. Wehmer, Dykstra, Murphy and Crane expired in 2011 and the initial term of Mr. Stoehr's employment agreement expired in 2009. However, each NEO's agreement automatically renews for successive three-year terms, in the case of Messrs. Wehmer, Dykstra and Murphy, and one-year terms in the case of Messrs. Stoehr and Crane, unless either the NEO or the Company provides notice of non-renewal at least 60 days prior to the expiration of the then-current term. If a change in control occurs, the then-current term of each NEO's employment agreement automatically extends for two years from the date of the change in control. If the term is extended due to a change in control, such extension will be further extended automatically for successive three-year terms, in the case of Messrs. Wehmer, Dykstra and Murphy, and one-year terms in the case of Messrs. Stoehr and Crane, unless either the NEO or the Company provides notice of non-renewal at least 60 days prior to the expiration of the then-current term.

2018 Outstanding Equity Awards at Fiscal Year-End Table

The following table sets forth information for each NEO with respect to (1) each stock option to purchase shares of Common Stock that has not been exercised and remained outstanding at December 31, 2018 and (2) each award of restricted stock units that has not vested and remained outstanding at December 31, 2018.

	Options Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) (1) (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(3) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)
Edward J. Wehmer	15,000	—	—	46.86	01/23/21	11,809 (4)	785,180	12,684 (5)	843,359
	—	14,173	—	40.87	01/28/23	—	—	14,316 (6)	951,871
David A. Dykstra	11,194	5,596	—	40.87	01/28/23	4,664 (4)	310,109	3,980 (5)	264,630
	—	—	—	—	—	—	—	3,357 (6)	223,207
Richard B. Murphy	—	3,778	—	40.87	01/28/23	3,150 (4)	209,444	2,739 (5)	182,116
	—	—	—	—	—	—	—	2,444 (6)	162,502
David L. Stoehr	—	2,829	—	40.87	01/28/23	2,358 (4)	156,783	2,287 (5)	152,063
	—	—	—	—	—	—	—	1,976 (6)	131,384
Timothy S. Crane	2,097	—	—	30.98	01/26/19	2,235 (4)	148,605	2,171 (5)	144,350
	3,196	—	—	37.85	01/24/20	—	—	1,976 (6)	131,384
	5,431	—	—	46.86	01/23/21	407 (2)	27,061	—	—
	6,968	—	—	44.11	01/22/22	—	—	—	—
	5,364	2,682	—	40.87	01/28/23	—	—	—	—

(1) The outstanding options in this column vested on January 28, 2019.

(2) These restricted stock units are scheduled to vest on October 23, 2019, subject to Mr. Crane's continued employment.

(3) The amounts in this column represent restricted stock unit awards that remained subject to performance-based vesting conditions as of December 31, 2018.

(4) Represents awards that vested and were settled on March 1, 2019, based on performance during the period from January 1, 2016 through December 31, 2018. The awards are reported at the actual vesting level, which was determined based on the Company's achievement of Cumulative Adjusted EPS over the three year performance cycle.

(5) Represents performance-based restricted stock unit awards that will be earned at the end of the January 1, 2017 through December 31, 2019 performance period based on the Company's achievement of performance objectives relating to the Company's Cumulative Adjusted EPS. These restricted stock unit

awards are reported in this table assuming target achievement.

(6) Represents performance-based restricted stock unit awards that will be earned at the end of the January 1, 2018 through December 31, 2020 performance cycle based on the Company’s achievement of performance objectives relating to the Company’s Cumulative Adjusted EPS. These restricted stock unit awards are reported in this table assuming target achievement.

2018 Option Exercises and Stock Vested Table

The following table sets forth information for each NEO with respect to the exercise of options and the vesting of stock awards during 2018, and the value realized upon such exercise or vesting.

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (1) (c)	Number of Shares Acquired on Vesting (#) (2) (d)	Value Realized on Vesting ($) (3) (e)
Edward J. Wehmer	26,474	1,241,394	7,700	679,448
David A. Dykstra	11,235	488,215	4,401	380,164
Richard B. Murphy	17,432	780,733	2,560	220,745
David L. Stoehr	5,268	238,196	1,527	131,246
Timothy S. Crane	954	55,027	1,861	155,706

(1) The value realized on the exercise of stock options represents the difference between the option exercise price and the market price determined by calculating the average of the high and low market price of the Common Stock on the date of exercise, multiplied by the number of shares of the Common Stock acquired upon exercise.

(2) Represents the vesting of awards, including performance-based stock awards, granted under the Company's 2007 Plan.

(3) The value realized on the vesting of restricted stock units represents the average of the high and low market price of the Common Stock on the date of vesting multiplied by the number of restricted stock units that vested. Mr. Wehmer's award (fully deferred until the later of March 27, 2025 or retirement) is valued based on the fair market value on January 25, 2018 of $88.24, which is the date on which the Committee certified the performance criteria and the earned shares were deemed deferred.

2018 Nonqualified Deferred Compensation Table

Name (a)	Executive Contributions in Last Fiscal Year ($) (b)	Registrant Contributions in Last Fiscal Year ($) (c)	Aggregate Earnings in Last Fiscal Year ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last Fiscal Year End ($) (f)
Edward J. Wehmer	747,373 (1)	—	(1,222,752) (2)	—	5,156,567 (3)
David A. Dykstra	—	—	(565,645) (2)	—	2,481,747 (4)
Richard B. Murphy	—	—	—	—	—
David L. Stoehr	—	—	—	—	—
Timothy S. Crane	—	—	—	—	—

(1) This amount represents the value of the deferred portion of Mr. Wehmer's performance-based cash award and performance-based stock awards from the payment in 2018 of the 2015-2017 LTIP awards on the dates the awards were settled.

(2) The amounts reported in the column entitled “Aggregate Earnings in Last Fiscal Year” represent the change in the value of the shares subject to the deferred LTIP and restricted stock unit awards from December 31, 2017 to December 31, 2018.

(3) This amount represents the value of Mr. Wehmer's deferred LTIP awards settled in 2016, 2017 and 2018 and his restricted stock unit awards which have vested but are not issuable until the earlier to occur of (i) the executive’s termination of employment and (ii) the time at which the award is no longer subject to the deduction limits under Section 162(m) of the Code.

(4) This amount represents the value of Mr. Dykstra's restricted stock unit awards which have vested but are not issuable until the earlier to occur of (i) the executive’s termination of employment and (ii) the time at which the award is no longer subject to the deduction limits under Section 162(m) of the Code.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

As noted under "Compensation Discussion & Analysis - Post-Termination Compensation" on page 52 of this Proxy Statement, we have entered into employment agreements with each of our NEOs that provide for payments in connection with such NEO's termination, whether in connection with a change in control or otherwise. The benefits to be provided to the current NEOs under the employment agreements upon various termination situations are described below, including a summary of payments that would have been required had a termination taken place on December 31, 2018.

Payments Made upon Termination

The NEO's rights upon a termination of his employment depend upon the circumstances of the termination. Central to an understanding of the rights of each NEO under the employment agreements is an understanding of the definitions of 'Cause' and 'Constructive Termination' that are used in those agreements. For purposes of the employment agreements:

- We have *Cause* to terminate the NEO if the NEO has engaged in any of a list of specified activities, including refusing to perform duties consistent with the scope and nature of his position, committing an act of gross negligence or willful misconduct resulting in or potentially resulting in economic loss or damage to the Company's reputation, conviction of a felony or other actions specified in the definition.
- The NEO is said to have been *Constructively Terminated* (and thereby gain access to the benefits described below) if we (i) materially reduce the NEO's duties and responsibilities, or (ii) reduce the NEO's adjusted total compensation (as defined in the agreements) to an amount less than (x) 75% of his adjusted total compensation for the prior 12 months or (y) 75% of his adjusted total compensation for the 12 months preceding the date of such NEO's employment agreement, whichever is greater. In addition, in the case of Messrs. Wehmer, Dykstra and Murphy, the NEO is said to have been *Constructively Terminated* if we reduce, or assign such NEO duties substantively inconsistent with, his position, authority, duties or responsibilities, including reductions occurring solely as a result of the Company ceasing to be a publicly traded entity or becoming a wholly owned subsidiary of another entity.

The employment agreements require, as a precondition to the receipt of these payments, that the NEO sign a standard form of release in which he waives all claims that he might have against us and certain associated individuals and entities. The employment agreements also include non-compete and non-solicit provisions and confidentiality provisions that would apply for three years following the termination of employment or, in the case of Mr. Crane, for two years.

Payment Obligations for Termination with Cause

If an NEO is terminated for Cause, he is entitled to receive amounts earned during the terms of employment. Such amounts include:

- unpaid base salary through the date of termination;
- accrued but unused vacation or paid leave; and
- reimbursements.

Payment Obligations Upon Death or Permanent Disability

In the event of death or permanent disability of an NEO, in addition to the items above:

- Messrs. Wehmer, Dykstra, Murphy and Stoehr will be entitled to a payment equal to three times the sum of his base salary in effect at the time of his death or disability and the target cash and stock bonus awards granted to such NEO in the year of his death or disability. Mr. Crane will be entitled to a payment equal to two times the sum of his base salary in effect at the time of his death or disability and the annual incentive compensation award (not including any equity-based award or cash award with a vesting period of greater than one year) paid to Mr. Crane during the 12-month period prior to his termination. Such payments will be made (i) in the case of death, in a lump sum within 30 days of the NEO's death or (ii) in the case of permanent disability, ratably over 36 months (24 months for Mr. Crane), with any such payment benefit reduced by the proceeds from any life or disability insurance policies maintained by the Company. For Mr. Crane, such payment benefit will be reduced by the amount of any income earned by Mr. Crane during the 24-month period; provided, however, that such amount paid to Mr. Crane shall not be less than $8,333.34 per month.
- Each NEO will immediately vest in all outstanding awards under the Company's incentive plans.

Additionally, in the event of termination due to permanent disability:

- Messrs. Wehmer, Dykstra and Murphy will continue to receive health insurance, including for qualified dependents, either under the then current Company plan or under an independent policy having similar coverage to that maintained by the Company, until the earlier of (i) the date he becomes eligible for any comparable medical, dental, or vision coverage provided by any other employer or (ii) the date he becomes eligible for Medicare benefits; and
- Messrs. Stoehr and Crane will continue to receive health insurance, including for qualified dependents, under the then current Company plan until the end of the 36-month period for Mr. Stoehr and the 24-month period for Mr. Crane over which the severance payments described in the first bullet point of this subsection are made.

Payment Obligations for Constructive Termination or Termination Without Cause

In the event of constructive termination or termination without cause of an NEO, such NEO is entitled to the items listed above under "Payment Obligations for Termination with Cause" and "Payment Obligations Upon Death or Permanent Disability," except that:

- the payment described in the first bullet point under "Payment Obligations Upon Death or Permanent Disability" will not be made in a lump sum, but rather be made ratably over the 36-month period for Messrs. Wehmer, Dykstra, Murphy and Stoehr and over the 24-month period for Mr. Crane;
- outstanding option awards under the Company's incentive plans will remain exercisable until the earlier of (i) three months or (ii) the life of the award;

- Messrs. Wehmer, Dykstra and Murphy and their respective dependents will be entitled to continued health benefits until the earliest of (i) the date he becomes eligible for another group health insurance plan with no pre-existing condition limitation or exclusion or (ii) the date he becomes eligible for Medicare benefits; and
- Messrs. Stoehr and Crane and their respective dependents will be entitled to continued health benefits until the earliest of (i) the date he becomes eligible for another group health insurance plan with no pre-existing condition limitation or exclusion, (ii) the expiration of the maximum coverage period under COBRA or (iii) the date he becomes eligible for Medicare benefits.

Payment Obligations for Termination Without Cause or Constructive Termination Following a Change in Control

In the event of the constructive termination or termination without cause of an NEO within eighteen months of a change in control, which is defined below, such NEO shall be entitled to the same payments and items described above under "Payment Obligations for Constructive Termination or Termination Without Cause," however, such payments shall be made in a lump sum within 30 days of such termination. Additionally:

- Pursuant to our incentive plans, the NEO will be entitled to immediate vesting and lapsing of restrictions on all outstanding equity awards;
- Messrs. Wehmer, Dykstra and Murphy will be entitled to an additional cash payment equal to an amount that would offset any excise taxes incurred by the NEO as a result of the receipt of any change in control payments and such offset payment, within 30 days of the determination that such excise tax is due; and
- In the case of Messrs. Stoehr and Crane, such payment may be subject to reduction (any such payment a "Reduced Payment") to the extent it would cause such NEO to receive an "excess parachute payment" (as defined in the Code) unless the change in control payments, less the amount of any excise taxes payable by the NEO, is greater than the Reduced Payment.

On May 20, 2009, the Company adopted a policy that it will not enter into any new or materially amended agreements with NEOs that include any excise tax gross-up provisions with respect to payments contingent upon a change in control. This policy does not apply to the employment agreements with Messrs. Wehmer, Dykstra and Murphy in effect at the time of adoption of such policy.

For purposes of a change in control, the NEO is said to have been *Constructively Terminated* (and thereby gain access to the benefits described above) if the resulting employer were to (i) materially reduce the NEO's duties and responsibilities, (ii) reduce the NEO's adjusted total compensation to an amount less than (x) 100% of his adjusted total compensation for the prior 12 months or (y) 100% of his adjusted total compensation for the 12 months preceding the date of such NEO's employment agreement, whichever is greater, or (iii) following the change in control, deliver notice to such NEO that he will continue to be employed but his employment agreement will be rejected. In addition, in the case of Messrs. Wehmer, Dykstra and Murphy, the NEO is said to have been *Constructively Terminated* if we reduce, or assign such NEO duties substantively inconsistent with, his position, authority, duties or responsibilities, including reductions occurring solely as a result of the Company's ceasing to be a publicly traded entity or becoming a wholly owned subsidiary of another entity.

"Change in control" is defined in the NEOs' employment agreements by reference to the 2007 Stock Incentive Plan, which defines change in control as any of the following events:

- if any person acquires 50% or more of the Company's outstanding Common Stock or of the combined voting power of the Company's outstanding voting securities (other than securities acquired directly from the Company);
- if the Company's incumbent Directors (and director nominees approved by such Directors) cease to constitute a majority of the Board;
- the consummation of a reorganization, merger or consolidation in which our shareholders immediately prior to such transaction do not, following such transaction, beneficially own more than 50% of the outstanding common stock or of the combined voting power of the corporation resulting from such transaction; or
- the approval of our shareholders of a complete liquidation or dissolution of the Company or of the sale or other disposition of all or substantially all of the assets of the Company.

The table below shows potential payments to the current NEOs if terminated upon death or permanent disability, for Constructive Termination or without Cause, in connection with a change in control and retirement. The amounts shown assume that termination was effective as of December 31, 2018, and are estimates of the amounts that would be paid to the executives upon termination. All equity awards have been calculated using the closing stock price of the Company's Common Stock on December 31, 2018 of $66.49, as reported on NASDAQ. The actual amounts to be paid can only be determined at the actual time of an executive's termination.

Name	Type of Payment	Death ($)	Permanent Disability ($)	Constructive Termination ($)	Termination Without Cause ($)	Termination in Connection with a Change in Control ($)	Retirement ($)
Edward J. Wehmer (1)	Cash Severance Benefit (2)	6,900,000	6,900,000	6,900,000	6,900,000	6,900,000	—
	Value of Unvested and Accelerated Equity (3)	2,028,381	2,028,381	1,665,269	1,665,269	2,943,504	1,665,269
	Value of Long-Term Cash Incentive Award (4)	2,000,879	2,000,879	2,000,879	2,000,879	3,150,250	2,000,879
	Benefit Continuation (5)	—	3,205	3,205	3,205	3,205	—
	Less Life Insurance Proceeds (6)	(2,700,000)	—	—	—	—	—
	Less Disability Insurance Proceeds (7)	—	(600,000)	—	—	—	—
	Excise Tax Gross-Up Payment (8)	—	—	—	—	—	—
	TOTAL	**8,229,260**	**10,332,465**	**10,569,353**	**10,569,353**	**12,996,959**	**3,666,148**
David A. Dykstra (1)	Cash Severance Benefit (2)	4,080,000	4,080,000	4,080,000	4,080,000	4,080,000	—
	Value of Unvested and Accelerated Equity (3)	704,273	704,273	560,903	560,903	941,287	560,903
	Value of Long-Term Cash Incentive Award (4)	672,400	672,400	672,400	672,400	966,150	672,400
	Benefit Continuation (5)	—	129,822	129,822	129,822	129,822	—
	Less Life Insurance Proceeds (6)	(2,700,000)	—	—	—	—	—
	Less Disability Insurance Proceeds (7)	—	(1,200,000)	—	—	—	—
	Excise Tax Gross-Up Payment (8)	—	—	—	—	—	—
	TOTAL	**2,756,673**	**4,386,495**	**5,443,125**	**5,443,125**	**6,117,259**	**1,233,303**
Richard B. Murphy (1)	Cash Severance Benefit (2)	3,009,000	3,009,000	3,009,000	3,009,000	3,009,000	—
	Value of Unvested and Accelerated Equity (3)	481,782	481,782	384,990	384,990	650,821	384,990
	Value of Long-Term Cash Incentive Award (4)	461,775	461,775	461,775	461,775	671,775	461,775
	Benefit Continuation (5)	—	102,575	102,575	102,575	102,575	—
	Less Life Insurance Proceeds (6)	(2,700,000)	—	—	—	—	—
	Less Disability Insurance Proceeds (7)	—	(1,200,000)	—	—	—	—
	Excise Tax Gross-Up Payment (8)	—	—	—	—	—	—
	TOTAL	**1,252,557**	**2,855,132**	**3,958,340**	**3,958,340**	**4,434,171**	**846,765**
David L. Stoehr (1)	Cash Severance Benefit (2)	2,422,500	2,422,500	2,422,500	2,422,500	2,422,500	—
	Value of Unvested and Accelerated Equity (3)	374,400	374,400	301,921	301,921	512,677	301,921
	Value of Long-Term Cash Incentive Award (4)	361,429	361,429	361,429	361,429	532,992	361,429
	Benefit Continuation (5)	—	57,699	28,849	28,849	28,849	—
	Less Life Insurance Proceeds (6)	(2,499,150)	—	—	—	—	—
	Less Disability Insurance Proceeds (7)	—	(1,200,000)	—	—	—	—
	Severance Cutback (9)	—	—	—	—	—	—
	TOTAL	**659,179**	**2,016,028**	**3,114,699**	**3,114,699**	**3,497,018**	**663,350**
Timothy S. Crane (1)	Cash Severance Benefit (2)	1,666,000	1,666,000	1,666,000	1,666,000	1,666,000	—
	Value of Unvested and Accelerated Equity (3)	384,391	384,391	27,061	—	520,097	—
	Value of Long-Term Cash Incentive Award (4)	345,780	345,780	—	—	514,530	—
	Benefit Continuation (5)	—	26,376	19,782	19,782	19,782	—
	Less Life Insurance Proceeds (6)	(1,200,000)	—	—	—	—	—
	Less Disability Insurance Proceeds (7)	—	(1,200,000)	—	—	—	—
	Severance Cutback (9)	—	—	—	—	—	—
	TOTAL	**1,196,171**	**1,222,547**	**1,712,843**	**1,685,782**	**2,720,409**	**—**

(1) In the event of termination with cause, each NEO would only be entitled to earned but unpaid base salary through the termination date, accrued but unused vacation or paid leave, and reimbursement of miscellaneous company incurred expenses.

(2) Upon termination due to death or disability, termination without cause, constructive termination, or qualifying termination following a change in control, with respect to each NEO other than Mr. Crane, such NEO is entitled to receive an amount equal to three times (3x) the sum of (i) the NEO's base salary in effect at the time of termination plus (ii) an amount equal to the NEO's target cash bonus and the NEO's target stock bonus in the year in which the termination occurs. Under a constructive termination, termination without cause or a qualifying termination following a change in control, Mr. Crane is entitled to a severance payments

of two times (2x) base salary and an amount equal to the annual incentive compensation paid to him during the 12-month period prior to the termination.

(3) All outstanding stock options immediately vest in the event of death, permanent disability, or a qualifying termination following a change in control. All time-vesting restricted stock awards will immediately vest in the event of a death, permanent disability, constructive termination, retirement or a qualifying termination following a change in control. In the event of death, permanent disability or retirement, the 2016, 2017 and 2018 performance-based restricted stock unit awards will vest on a pro-rata basis based on performance over the full performance period. For this analysis, performance has been assumed at target for the 2017 and 2018 awards. For the 2016 performance-based restricted stock unit awards, the amount represents the actual payout, since the performance period was completed on December 31, 2018 and the performance achieved during the period was known. In the event of a qualifying termination following a change in control, the 2017 and 2018 performance-based restricted stock unit awards will vest in full at target performance. The 2016 performance-based restricted stock unit award is shown at actual performance as the performance period ended on December 31, 2018. Messrs. Wehmer, Dykstra, Murphy and Stoehr had met the retirement-eligibility requirements under each of the foregoing equity awards as of December 31, 2018. Therefore, any constructive termination or termination without cause incurred by Messrs. Wehmer, Dykstra, Murphy and Stoehr was treated as a retirement for purposes of quantifying their disclosed benefits.

(4) In the event of death, permanent disability or retirement, 2016, 2017 and 2018 performance-based cash awards will be payable in a pro-rata portion based on actual performance over the full performance period. For this analysis, performance has been assumed at target for the 2017 and 2018 awards. For the 2016 performance-based cash awards, the amount represents the actual payout, since the performance period was completed on December 31, 2018 and the performance achieved during the period was known. In the event of a qualifying termination following a change in control, the 2017 and 2018 performance-based cash awards will vest in full at target performance. The 2016 performance-based cash award is shown at actual performance as the performance period ended on December 31, 2018. Messrs. Wehmer, Dykstra, Murphy and Stoehr had met the retirement-eligibility requirements under each of the foregoing equity awards as of December 31, 2018. Therefore, any constructive termination or termination without cause incurred by Messrs. Wehmer, Dykstra, Murphy and Stoehr was treated as a retirement for purposes of quantifying their disclosed benefits.

(5) We have assumed benefit continuation for Messrs. Wehmer, Dykstra and Murphy through the age of 65, the time at which the NEO will be eligible for Medicare. We have assumed benefit continuation for 18 months in the event termination in connection with a change in control, termination without cause or constructive termination for Mr. Stoehr and Mr. Crane, per current COBRA guidelines. We have assumed benefit continuation for 36 months in the event of permanent disability for Mr. Stoehr and 24 months in the event of permanent disability for Mr. Crane.

(6) In the event of termination in connection with death, the amount of benefits to be paid for each NEOs pursuant to his employment agreements shall be reduced by the amount of any life insurance benefit payments paid or payable to him from policies of insurance maintained and/or paid for by the Company; provided that in the event the life insurance benefits exceed the amount to be paid to him, the executive shall remain entitled to receive the excess life insurance payments.

(7) In the event of termination in connection with permanent disability, the amount of benefits to be paid to each NEO pursuant to his employment agreement shall be reduced by the amount of any long-term disability insurance benefit payments paid or payable to him during the payment period from policies of insurance maintained and/or paid for by the Company; provided that in the event the long-term disability insurance benefits exceed the amount to be paid to him, he shall remain entitled to receive the excess insurance payments.

(8) In the event of a termination in connection with a change in control, Messrs. Wehmer, Dykstra and Murphy are entitled to an excise tax gross-up payment to be paid by the Company if the present value of the NEO's parachute payments exceeds his safe harbor. Excise tax gross up payments were calculated in accordance with Section 280G of the Code. Effective May 20, 2009, the Company adopted a policy that it will not enter into any new or materially amended agreements with NEOs that include any excise tax gross-up provisions with respect to payments contingent upon a change in control. If a change in control and a termination of employment occurred as of December 31, 2018, Messrs. Wehmer, Dykstra and Murphy would not have become entitled to an excise tax gross-up payment.

(9) The employment agreements for Mr. Stoehr and Mr. Crane provide that in the event the potential payments would constitute "excess parachute payments" within the meaning of Section 280G of the Code, or any interest or penalties with respect to such excise tax, then the amount of the payout would be automatically reduced to an amount equal to $1.00 less than three times (3x) the "base amount" as defined in Section 280G (3) of the Code (the "Reduced Payment"). This reduction will not apply if the sum of the amount of severance pay less the amount of excise tax payable by the NEO is greater than the Reduced Payment.

CEO PAY RATIO DISCLOSURE

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company is providing the following disclosure about the relationship of the annual total compensation of our employees to the annual total compensation of Mr. Wehmer, our President and Chief Executive Officer. We believe that the pay ratio disclosed below is a reasonable estimate calculated in a manner consistent with Item 402(u) of Regulation S-K.

For 2018,

- The median of the annual total compensation of all of our employees, other than Mr. Wehmer, was $54,068.
- Mr. Wehmer's annual total compensation, as reported in the Total column of the 2018 Summary Compensation Table, was $4,900,431.
- Based on this information, the ratio of the annual total compensation of Mr. Wehmer to the median of the annual total compensation of all employees is estimated to be 91 to 1.

We selected October 1, 2018 as the date on which to determine our median employee. As of that date, we had had approximately 4,756 employees. The pay ratio disclosure rules provide an exemption for companies to exclude non-U.S. employees from the median employee calculation if non-U.S. employees in a particular jurisdiction account for five percent (5%) or less of the company's total number of employees. We applied this de minimis exemption when identifying the median employee by excluding 85 employees in Canada. After taking into account the de minimis exemption, 4,671 employees in the United States and zero employees located outside of the United States were considered for identifying the median employee.

For purposes of identifying the median employee from the employee population base, other than Mr. Wehmer, we considered W-2 gross taxable wages for calendar year 2018. In addition, for employees that commenced employment with the Company after January 1, 2018, we annualized their compensation.

In determining the annual total compensation of the median employee, such employee's compensation was calculated in accordance with Item 402(c)(2)(x) of Regulation S-K, as required pursuant to the SEC executive compensation disclosure rules. This calculation is the same calculation used to determine total compensation for purposes of the 2018 Summary Compensation Table with respect to each of the Named Executive Officers.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Company's Compensation Discussion & Analysis with management and, based on such review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion & Analysis be included in the Company's Proxy Statement, its Annual Report on Form 10-K and such other filings with the SEC as may be appropriate.

Compensation Committee

BRUCE K. CROWTHER (Chair)
PETER D. CRIST
WILLIAM J. DOYLE
GARY D. "JOE" SWEENEY

PROPOSAL NO. 2 — APPROVAL OF, ON AN ADVISORY (NON-BINDING) BASIS, THE COMPANY'S EXECUTIVE COMPENSATION AS DESCRIBED IN THIS PROXY STATEMENT

Background of the Proposal

As the Company has done in years past and as required pursuant to Section 14A of the Exchange Act, we are providing shareholders with an opportunity to vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement. The Company believes that it is appropriate to seek the views of shareholders on the design and effectiveness of the Company's executive compensation program. Although this vote is advisory and thus non-binding, the Board and the Compensation Committee value the opinions of the shareholders and will consider the outcome of this "Say on Pay" vote when evaluating our compensation philosophy, policies and practices.

At the annual meetings of shareholders held in 2018, 2017, and 2016, we provided our shareholders with the opportunity to cast an advisory vote to approve the compensation of our named executive officers as disclosed in the applicable proxy statement. Our shareholders overwhelmingly approved such proposals, with more than 97% of the votes cast each year in favor.

In accordance with the preference expressed by our shareholders at the 2017 annual meeting of shareholders, we intend to hold a Say on Pay vote on an annual basis at least until the next frequency vote.

Executive Compensation

The Company believes that its compensation policies and procedures, which are reviewed and approved by the Compensation Committee, encourage a culture of pay-for-performance and are strongly aligned with the long-term interests of shareholders. As more fully set forth under "Executive Compensation — Compensation Discussion & Analysis," the Compensation Committee has taken a number of actions in recent years to further strengthen the Company's compensation philosophy and objectives and the percentage of the compensation of senior executives which is "at risk." As always, the Compensation Committee will continue to review all elements of the executive compensation program and take any steps it deems necessary to continue to fulfill the objectives of the program.

Shareholders are encouraged to carefully review the "Executive Compensation — Compensation Discussion & Analysis" section of this Proxy Statement for a detailed discussion of the Company's executive compensation program. Because this shareholder vote is advisory, it will not be binding on the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

The Board has authorized a shareholder vote on the Company's executive compensation as reflected in the Compensation Discussion & Analysis, including the disclosures regarding named executive officer compensation provided in the various tables included in this Proxy Statement, the accompanying narrative disclosures and the other compensation information provided in this Proxy Statement. This proposal, commonly known as a "Say on Pay" proposal, gives the Company's shareholders the opportunity to endorse or not endorse the Company's executive pay program and policies through the following resolution:

"Resolved, that the shareholders of Wintrust Financial Corporation approve, on a non-binding advisory basis, the compensation of the named executive officers, as disclosed pursuant to the compensation disclosure rules of the

Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and narrative discussion in this Proxy Statement for the 2019 Annual Meeting of Shareholders."

Required Vote

The approval of the non-binding advisory resolution approving the compensation of our named executive officers described in this Proxy Statement requires the affirmative vote of a majority of the shares of Common Stock represented at the Annual Meeting, in person or by proxy, and entitled to vote thereon. Abstentions will have the same effect as a vote against the proposal. Broker non-votes will have no impact on whether the proposal passes.

THE BOARD OF DIRECTORS RECOMMENDS SHAREHOLDERS VOTE "FOR"

THE APPROVAL OF, ON AN ADVISORY (NON-BINDING) BASIS, THE COMPANY'S

EXECUTIVE COMPENSATION AS DESCRIBED IN THIS PROXY STATEMENT.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board oversees the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the consolidated financial statements and the reporting process, including the systems of internal controls.

In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed the audited consolidated financial statements of the Company set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 with management of the Company. The Audit Committee also discussed with Ernst & Young LLP, an independent registered public accounting firm for the Company, which is responsible for expressing an opinion on the conformity of those audited consolidated financial statements with United States generally accepted accounting principles, the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC.

The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the auditors' communications with the Audit Committee concerning independence and has discussed with Ernst & Young LLP their independence from the Company.

In reliance on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the SEC.

Audit Committee

INGRID S. STAFFORD (Chair)
ZED S. FRANCIS, III
MARLA F. GLABE
SCOTT K. HEITMANN
GARY D. "JOE" SWEENEY

PROPOSAL NO. 3 — RATIFICATION OF ERNST & YOUNG LLP TO SERVE AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2019

The Audit Committee has appointed Ernst & Young LLP, independent registered public accounting firm, as auditors for the Company and its subsidiaries for the fiscal year ended December 31, 2019. The Board and the Audit Committee recommend that shareholders ratify the appointment of Ernst & Young LLP as independent auditors for the Company and its subsidiaries. If shareholders do not ratify the appointment, the Audit Committee will reconsider its selection. Ernst & Young LLP has served as independent registered public accounting firm for the Company since 1999 and is considered by the Board and the Audit Committee to be well qualified. One or more representatives of Ernst & Young LLP are expected to be present at the Annual Meeting and afforded an opportunity to make a statement, if they desire to do so, and to respond to questions from shareholders.

Required Vote

Ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019 requires the affirmative vote of a majority of the shares of Common Stock represented at the Annual Meeting, in person or by proxy, and entitled to vote thereon. Abstentions will have the same effect as a vote against ratification. Brokers will have discretionary authority to vote on this proposal.

THE BOARD OF DIRECTORS AND AUDIT COMMITTEE UNANIMOUSLY RECOMMEND THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP TO SERVE AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2019.

AUDIT AND NON-AUDIT FEES PAID

The Company's independent auditors for the fiscal years ended December 31, 2018 and 2017 were Ernst & Young LLP. Under its charter, the Audit Committee is solely responsible for reviewing the qualifications of the Company's independent auditors and selecting the independent auditors for the current fiscal year.

The following is a description of the fees billed to the Company by Ernst & Young LLP for the years ended December 31, 2018 and December 31, 2017:

Audit Fees: Audit fees include fees billed by Ernst & Young LLP for the review and audit of the Company's annual financial statements and review of financial statements included in the Company's quarterly reports filed with the SEC, as well as services normally provided by an independent auditor in connection with statutory and regulatory filings or engagements. Aggregate fees for audit services were $2,252,951 in 2018 and $1,984,791 in 2017.

Audit-Related Fees: Audit-related fees include fees for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements. Aggregate fees for audit-related services were $45,500 in 2018 and $66,000 in 2017.

Tax Fees: Tax fees include fees for tax compliance, tax return preparation advice and tax planning services. Aggregate fees for tax services were $1,139,072 in 2018 and $718,011 in 2017.

All Other Fees: This category comprises all fees billed by Ernst & Young LLP to the Company not included in the previous three categories, which includes services provided for on-line accounting and auditing standards, interpretive guidance and regulatory advisory services. Aggregate fees for other services were $3,785 in 2018 and $1,995 in 2017.

The Audit Committee pre-approves all services, including both audit and non-audit services, provided by the Company's independent auditor. For audit services, the independent auditor provides the Audit Committee with an engagement letter outlining the scope of the audit services proposed to be performed during the year and the fees to be charged, which must be formally accepted by the Audit Committee before the audit commences.

Management also submits to the Audit Committee a list of non-audit services that it recommends the independent auditor be engaged to provide and an estimate of the fees to be paid for each. The Audit Committee considers whether the provision of non-audit services by the Company's independent auditor is compatible with maintaining the auditor's independence. The Audit Committee must approve the list of non-audit services and the estimated fees for each such service before the commencement of the work.

To ensure prompt handling of unexpected matters, the Audit Committee has delegated the authority to amend and modify the list of approved permissible non-audit services and fees to the Audit Committee Chair. If the Chair exercises this delegation of authority, she reports the action taken to the Audit Committee at its next regular meeting.

All audit and permissible non-audit services provided by Ernst & Young LLP to the Company for fiscal year 2018 were pre-approved by the Audit Committee in accordance with these procedures.

SHAREHOLDER PROPOSALS FOR THE 2020 ANNUAL MEETING

Shareholder proposals intended to be presented at the Company's 2020 Annual Meeting of Shareholders must be received in writing by the Secretary of the Company no later than December 7, 2019 in order to be considered for inclusion in the proxy material for that meeting. Any such proposals shall be subject to the requirements of Rule 14a-8 of the proxy rules adopted under the Exchange Act. Furthermore, in order for any shareholder to properly propose any business for consideration at the 2020 Annual Meeting, including the nomination of any person for election as a Director, or any other matter raised other than pursuant to Rule 14a-8 of the proxy rules adopted under the Exchange Act, written notice of the shareholder's intention to make such proposal must be furnished to the Company in accordance with the By-laws. Pursuant to the By-laws, the deadline for such notice is February 23, 2020 (but not before January 24, 2020).

OTHER BUSINESS

The Company is unaware of any other matter to be acted upon at the Annual Meeting for shareholder vote. In case of any matter properly coming before the Annual Meeting for shareholder vote, unless discretionary authority has been denied the proxy holders named in the proxy card accompanying this Proxy Statement, such persons shall vote in accordance with their best judgment.

BY ORDER OF THE BOARD OF DIRECTORS

Kathleen M. Boege
Corporate Secretary

ANNUAL MEETING OF SHAREHOLDERS OF

WINTRUST FINANCIAL CORPORATION

May 23, 2019

PROXY VOTING INSTRUCTIONS

INTERNET - Access "**www.voteproxy.com**" and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page.

TELEPHONE - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

Vote online/phone until 11:59 PM Eastern Time the day before the meeting.

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

IN PERSON - You may vote your shares in person by attending the Annual Meeting.

GO GREEN - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.astfinancial.com to enjoy online access.

COMPANY NUMBER	
ACCOUNT NUMBER	

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:
The Notice of Annual Meeting of Shareholders, Proxy Statement, Form of Electronic Proxy Card, Annual Report on Form 10-K and Annual Letter to Shareholders are available at https://materials.proxyvote.com/97650W

Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE DIRECTORS, AND "FOR" PROPOSALS 2 AND 3.
PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE ☒

1. Election of Directors

	FOR	AGAINST	ABSTAIN
Peter D. Crist	☐	☐	☐
Bruce K. Crowther	☐	☐	☐
William J. Doyle	☐	☐	☐
Marla F. Glabe	☐	☐	☐
H. Patrick Hackett, Jr.	☐	☐	☐
Scott K. Heitmann	☐	☐	☐
Deborah L. Hall Lefevre	☐	☐	☐
Christopher J. Perry	☐	☐	☐
Ingrid S. Stafford	☐	☐	☐
Gary D. "Joe" Sweeney	☐	☐	☐
Karin Gustafson Teglia	☐	☐	☐
Edward J. Wehmer	☐	☐	☐
2. Proposal to approve, on an advisory (non-binding) basis, the Company's executive compensation as described in the 2019 Proxy Statement.	☐	☐	☐
3. Proposal to ratify the appointment of Ernst & Young LLP to serve as the independent registered public accounting firm for fiscal year 2019.	☐	☐	☐

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ☐

Signature of Shareholder ____ Date: ____ Signature of Shareholder ____ Date: ____

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

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WINTRUST FINANCIAL CORPORATION

Proxy for Annual Meeting of Shareholders on May 23, 2019

Solicited on Behalf of the Board of Directors

The undersigned hereby appoints H. Patrick Hackett, Jr. and Edward J. Wehmer and each of them, with full power of substitution and power to act alone, as proxies to vote all the shares of common stock which the undersigned would be entitled to vote if personally present and acting at the Annual Meeting of Shareholders of Wintrust Financial Corporation, to be held May 23, 2019 at the Company's corporate headquarters at 9700 West Higgins Road, 2nd Floor, Rosemont, Illinois 60018, and at any adjournments or postponements thereof, as designated on the reverse side of this form.

If no other indication is made on the reverse side of this form, the proxies shall vote "FOR" the election of the directors, and "FOR" proposals 2 and 3.

(Continued and to be signed on the reverse side.)

1.1 14475

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, 2018

☐ **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	Name of Each Exchange on Which Registered
Common Stock, no par value	**The NASDAQ Global Select Market**
Series D Preferred Stock, no par value	**The NASDAQ Global Select Market**

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. ☑ 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 ☑ 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. ☑ 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). ☑ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐ Yes ☑ 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 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 29, 2018 (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 $87.05, as reported by the NASDAQ Global Select Market, was $4,860,291,899.

As of February 26, 2019, the registrant had 56,507,442 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 23, 2019 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 $31.2 billion as of December 31, 2018. We conduct our businesses through three segments: community banking, specialty finance and wealth management. All segment measurements discussed below are based on the reportable segments and do not reflect intersegment eliminations.

We provide community-oriented, personal and commercial banking services to customers located in the Chicago metropolitan area, 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 and Trust Company, N.A. (“Barrington Bank”). For the years ended December 31, 2018, 2017 and 2016, the community banking segment had net revenues of $1.0 billion, $889 million and $819 million, respectively, and net income of $241 million, $175 million and $145 million, respectively. The community banking segment had total assets of $25.4 billion, $22.8 billion and $21.2 billion as of December 31, 2018, 2017 and 2016, respectively. The community banking segment accounted for approximately 77% of our consolidated net revenues, excluding intersegment eliminations, for the year ended December 31, 2018.

We provide specialty finance services, including financing for the payment of commercial insurance premiums and life insurance premiums (“premium finance receivables”) on a national basis through FIRST Insurance Funding (“FIRST Insurance Funding”), a division of our wholly-owned subsidiary Lake Forest Bank & Trust Company, N.A. ("Lake Forest Bank"), and Wintrust Life Finance (“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, and short-term accounts receivable financing and outsourced administrative services through our wholly-owned subsidiary, Tricom, Inc. of Milwaukee (“Tricom”). For the years ended December 31, 2018, 2017 and 2016, the specialty finance segment had net revenues of $203 million, $179 million and $148 million, respectively, and net income of $82 million, $66 million and $49 million, respectively. The specialty finance segment had total assets of $5.1 billion, $4.5 billion and $3.9 billion as of December 31, 2018, 2017 and 2016, respectively. The specialty finance segment accounted for 15% of our consolidated net revenues, excluding intersegment eliminations, for the year ended December 31, 2018.

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"). For the years ended December 31, 2018, 2017 and 2016, the wealth management segment had net revenues of $109 million, $103 million and $97 million, respectively, and net income of $20 million, $17 million and $13 million, respectively. The wealth management segment had total assets of $733 million, $618 million and $612 million as of December 31, 2018, 2017 and 2016, respectively. The wealth management segment accounted for 8% of our consolidated net revenues, excluding intersegment eliminations, for the year ended December 31, 2018.

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.

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 cash management products. Using our decentralized corporate structure to our advantage, we offer our MaxSafe® deposit accounts, which provide customers with expanded Federal Deposit Insurance Corporation ("FDIC") insurance coverage by spreading a customer's deposit across our fifteen banks. This product differentiates our banks from many of our competitors that have consolidated their bank charters into branches. We also have 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, internet banking and other innovative and traditional services specially tailored to meet the needs of customers in their market areas.

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

We now own fifteen banks, including eight Illinois-chartered banks: Hinsdale Bank and Trust Company ("Hinsdale Bank"), Wintrust Bank, Libertyville Bank and Trust Company ("Libertyville Bank"), Northbrook Bank & Trust Company ("Northbrook Bank"), Village Bank & Trust ("Village Bank"), Wheaton Bank & Trust Company ("Wheaton Bank"), State Bank of the Lakes and St. Charles Bank & Trust Company ("St. Charles Bank"). In addition, we have one Wisconsin-chartered bank, Town Bank, and six nationally chartered banks: Lake Forest Bank, Barrington Bank, Crystal Lake Bank & Trust Company, N.A. ("Crystal Lake Bank"), Schaumburg Bank & Trust Company, N.A. ("Schaumburg Bank"), Beverly Bank & Trust Company, N.A. ("Beverly Bank") and Old Plank Trail Community Bank, N.A. ("Old Plank Trail Bank"). As of December 31, 2018, we had 167 banking locations.

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

We also engage in the retail origination and correspondent purchase of residential mortgages through Wintrust Mortgage 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 and Los Angeles metropolitan areas.

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

Specialty Finance

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 commercial insurance premium finance and life insurance premium finance. We also engage in commercial insurance premium finance in Canada through our wholly-owned subsidiary FIFC Canada.

In their commercial insurance premium finance operations, FIRST Insurance Funding and FIFC Canada make loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. Approved medium and large insurance agents and brokers located throughout the United States and Canada assist 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 commercial insurance policies in all 50 states, the District of Columbia, Puerto Rico, Guam, 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 also finances life insurance policy premiums generally used for estate planning purposes of high net-worth borrowers. These loans are originated directly with the borrowers with assistance from life insurance carriers, independent insurance agents, financial advisors and legal counsel. The cash surrender value of the life insurance policy is the primary form of collateral. In addition, these loans often are secured with a letter of credit, marketable securities or certificates of deposit. In some cases, 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 one of the insurers represents approximately 15% of such balances and two additional insurers represent approximately 6% and 4%, respectively, 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. During 2018, Wintrust Asset Finance contributed approximately $38.5 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 2018, Tricom processed payrolls with associated client billings of approximately $739 million and contributed approximately $11.4 million to our revenue, net of interest expense. Net revenue is based on our reportable segments and does not reflect intersegment eliminations.

In 2018, our commercial premium finance operations, life insurance premium finance operations, leasing operations and accounts receivable finance operations accounted for 39%, 36%, 19% and 6%, respectively, of the total revenues of our specialty finance business.

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 Bay, 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.

As of December 31, 2018, the Company's wealth management subsidiaries had approximately $24.2 billion of assets under administration, which included $3.6 billion of assets owned by the Company and its subsidiary banks.

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 deposit flows result in 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.

Strategy and Competition

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

- Increasing our lending as other financial institutions pulled back;
- Hiring quality lenders and other staff away from larger and smaller institutions that may have substantially deviated from a customer-focused approach or who may have substantially limited the ability of their staff to provide credit or other services to their customers;

- Investing in dislocated assets such as the purchased life insurance premium finance portfolio, the Canadian commercial premium finance portfolio, trust and investment management companies and certain collateralized mortgage obligations; and
- Purchasing banks and banking assets either directly or through the FDIC-assisted process in areas key to our geographic expansion.

The Company has employed certain strategies since 2013 to 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 non-bank financial companies. Some of these competitors are local, while others are statewide or nationwide.

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

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

Wintrust Mortgage competes with large mortgage brokers as well as other banking organizations. Consolidation, on-going investor push-backs, enhanced regulatory guidance and the promise of equal oversight for both banks and independent lenders have created challenges for small and medium-sized independent mortgage lenders. Wintrust Mortgage's size, bank affiliation, regulatory competency, branding, technology, business development tools and reputation make the firm well positioned to compete in this environment. In 2018, we increased the amount of loans sold with servicing retained, including those loans sold to the Company's banks with servicing remaining within Wintrust Mortgage operations. While earnings will fluctuate with the rise and fall of long-term interest rates, we expect that mortgage banking revenue will be a continuous source of revenue for us and our mortgage lending relationships will continue to provide franchise value to our other financial service businesses.

In 2018, the Company opened six new branch locations in the Chicago metropolitan area as well as four new branch locations in Wisconsin. We believe this strategic branch expansion will allow us to grow into contiguous markets that we currently do not service and expand our footprint.

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. In 2014, FIFC Canada expanded its operations through the acquisition of two affiliated Canadian insurance premium funding and payment services companies.

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 Activities

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 professionals from the larger Chicago area wealth management companies, which is expected to help in attracting new customer relationships.

Supervision and Regulation

Regulatory Environment

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. 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. 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.

On May 24, 2018, the Economic Growth, Regulatory Relief and Consumer Protection Act (the “Economic Growth Act”) was signed into law. Among other regulatory changes, the Economic Growth Act amends various sections of the Dodd-Frank Act, including section 165 of the Dodd-Frank Act, which was revised to raise the asset thresholds for determining the application of enhanced prudential standards for bank holding companies ("BHCs"). The effects of these changes on the Company are expected to be limited because the Company was subject to only limited enhanced prudential standards prior to the Economic Growth Act’s enactment. Certain of our competitors, however, will benefit from a more significant reduction in regulatory burdens.

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. Our subsidiary banks are subject to regulation, supervision, and examination by the agency that granted their banking charters: (1) the OCC for Barrington Bank, Lake Forest Bank, Crystal Lake Bank, Schaumburg Bank, Beverly Bank and Old Plank Trail Bank; (2) the Illinois Secretary for Hinsdale Bank, Wintrust Bank, Libertyville Bank, Northbrook Bank, Village Bank, Wheaton Bank, State Bank of the Lakes and St. Charles Bank; and (3) the Wisconsin Department for Town Bank. Our Illinois and Wisconsin state-chartered bank subsidiaries are also members of the Federal Reserve System, subject to regulation, supervision, and examination by the Federal Reserve as their primary federal regulator. The deposits of all of our subsidiary banks are insured by the Deposit Insurance Fund ("DIF") and, as such, the FDIC has additional oversight authority over the banks. The supervision, regulation and examination of banks and bank holding companies by bank regulatory agencies are intended primarily for the protection of depositors, the DIF, and the banking system as a whole, rather than shareholders of banks and bank holding companies, and in some instances may be contrary to 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' primary federal banking agency and, where applicable, state 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 and state banking laws. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that can be acquired without regulatory approval or notice under the BHC Act, the Change in Bank Control Act, the Illinois Banking Act and Wisconsin banking laws.

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.

In May 2018, the five federal agencies with rulemaking authority with respect to the Volcker Rule released a proposal to revise the Volcker Rule. The proposal would 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. If adopted, the proposed changes to the definition of trading account would likely expand the scope of investing and trading activities subject to the Volcker Rule's restrictions. We are currently evaluating the potential impact that this proposed revision would have on our investing and trading activities.

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").

<u>Regulatory Capital and Risk-weighted Assets</u>

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 loan and lease 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. Certain of these adjustments and deductions were subject to phase-in periods that began on January 1, 2015 and ended on January 1, 2018. On November 21, 2017, the federal banking agencies issued a final rule that, for certain bank holding companies and banks, including us and our subsidiary banks, delayed the last phase of the U.S. Basel III Rule's transition provisions relating to 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, until a revised rule is finalized. On September 26, 2017, the federal banking agencies issued a proposed rule that, for certain bank holding companies and banks, including us and our subsidiary banks, would simplify these regulatory capital deductions and limitations. The federal banking agencies have stated that these aspects of the September 26, 2017 proposed rule remain under consideration.

Under the U.S. Basel III Rule, risk weights are assigned to our and our subsidiary banks' assets, exposures and certain off-balance sheet items to determine their RWAs, which are used to calculate certain capital ratios. On September 18, 2018, the federal banking agencies issued a proposed rule that would revise the definition of high-volatility commercial real estate exposure to conform with the statutory definition of a high-volatility commercial real estate acquisition, development, or construction loan, in accordance with the Economic Growth Act. The revised definition would exclude the requirement to apply a heightened risk weight of 150% to any loans made prior to January 1, 2015, and certain other loans currently classified as high-volatility commercial real estate exposures. The federal banking agencies have stated that, in light of the changes to the definition of high-volatility commercial real estate exposures required by the Economic Growth Act, they will not act on aspects of the September 26, 2017 proposed rule that related to high-volatility commercial real estate.

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, 2018 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 calculated as a ratio of Common Equity Tier 1 capital to RWAs and it effectively increases the required minimum risk-based capital ratios. The Capital Conservation Buffer requirement was phased in over a three-year period that began in January 1, 2016. The phase-in period ended on January 1, 2019, and the Capital Conservation Buffer is now at its fully phased-in level of 2.5%. Throughout 2018, the required Capital Conservation Buffer was 1.875%. 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) during the remaining transition period for the Capital Conservation Buffer:

	Minimum Regulatory Capital Ratio Plus Capital Conservation Buffer	
	2018	2019
Common Equity Tier 1 Capital Ratio	**6.38%**	7.00%
Tier 1 Capital Ratio	**7.88**	8.50
Total Capital Ratio	**9.88**	10.50

As of December 31, 2018, our and our subsidiary banks' regulatory capital ratios were above the well-capitalized standards and met the then-applicable 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, on a fully phased-in basis. Please refer to the table below for a summary of our regulatory capital ratios as of December 31, 2018, calculated using the regulatory capital methodology applicable to us during 2018.

	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%**	**6.38%**	**N/A**	**9.3%**
Tier 1 Capital Ratio	**6.00**	**7.88**	**6.00**	**9.7**
Total Capital Ratio	**8.00**	**9.88**	**10.00**	**11.6**
Tier 1 Leverage Ratio	**4.00**	**N/A**	**N/A**	**9.1**

(1) Reflects the Capital Conservation Buffer of 1.875% applicable during 2018. The Company already meets the Capital Conservation Buffer at the fully phased-in level 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, 2018 would exceed such revised well-capitalized standard.

Liquidity Requirements

Large financial firms are subject to the Liquidity Coverage Ratio ("LCR") rule, which requires them to meet certain liquidity measures by holding an adequate amount of unencumbered high-quality liquid assets, such as Treasury securities and other sovereign debt. In addition, in May 2016 the federal banking agencies proposed a Net Stable Funding Ratio ("NSFR") rule, which would require large financial firms to meet certain net stable funding measures by funding themselves with adequate amounts of medium- and long-term funding.

On October 31, 2018, the federal banking agencies proposed a rule that would, among other things, increase the asset thresholds at which large financial firms would be subject to the LCR and the proposed NSFR. We and our subsidiary banks are not subject to the LCR and would not be subject to the NSFR as proposed. Instead, monitoring of the Company's and our banking subsidiaries' liquidity is addressed as a supervisory matter by our federal and state banking regulators, without required formulaic measures set by regulation.

Capital Planning and Stress Testing Requirements

Pursuant to the Economic Growth Act, which increased the asset thresholds at which company-run stress test requirements apply, we are no longer required to conduct annual company-run stress tests. None of our subsidiary banks met the previous asset thresholds or meet the current increased asset thresholds that would cause them to be subject to stress testing requirements under this rule.

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 federal and state 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. Additionally, bank holding companies are required to receive prior written approval from the Federal Reserve prior to announcing the redemption or repurchase of capital instruments.

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, 2018, 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. The Illinois and Wisconsin state bank regulatory agencies have similar authority and power with respect to our Illinois and Wisconsin state-chartered banks, respectively.

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. Until September 30, 2018, insured depository institutions with total consolidated assets of $10 billion or more were required to pay an assessment surcharge. None of our bank subsidiaries were subject to this surcharge. However, 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 authorizes the Financing Corporation ("FICO") to impose assessments on DIF assessable deposits in order to service the interest on FICO's bond obligations. The FICO assessment rate is adjusted quarterly and for the fourth quarter of 2018 was approximately 0.320 basis points (32 cents per $10,000 of assessable deposits).

Limits on Loans to One Borrower and Loans to Insiders

Federal and state banking laws impose limits on the amount of credit a bank can extend to any one person (or group of related persons). For national banks, this limit includes credit exposures arising from derivative transactions, repurchase agreements, and securities lending and borrowing transactions. In addition, state-chartered banks (including certain of our banking subsidiaries) are prohibited from engaging in derivative transactions unless the state lending limit laws take into account credit exposure to such transactions.

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

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.

Transaction Account Reserves

The Dodd-Frank Act eliminated prohibitions under federal law against the payment of interest on demand deposits, thus allowing businesses to have interest-bearing checking accounts.

Federal Reserve regulations require depository institutions to maintain reserves against their transaction accounts (primarily NOW and regular checking accounts). For 2019, the first $16.3 million of otherwise reservable balances are exempt from the reserve requirements; for transaction accounts aggregating more than $16.3 million to $124.2 million, the reserve requirement is 3% of total transaction accounts; and for net transaction accounts in excess of $124.2 million, the reserve requirement is 10% of the aggregate amount of total transaction accounts in excess of $124.2 million. These reserve requirements are subject to annual adjustment by the Federal Reserve. Our banks are in compliance with these requirements.

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.

Leaders of the federal banking agencies recently have indicated their support for revising the CRA regulatory framework, and on August 28, 2018, the OCC issued an advance notice of proposed rulemaking to solicit ideas for building a new CRA framework. It is too early to tell whether any changes will be made to applicable CRA requirements.

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 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 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.

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.

Federal Preemption

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

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.

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 becomes 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 will give consumers the right to request disclosure of information collected about them, and whether that information has been sold or shared with others, the right to request deletion of personal information (subject to certain exceptions), the right to opt out of the sale of the consumer's personal information, and the right not to be discriminated against for exercising these rights. The CCPA contains several exemptions, including an exemption applicable to information that is collected, processed, sold or disclosed pursuant to the GLBA. The California Attorney General has not yet proposed or adopted regulations implementing the CCPA, and the California State Legislature has amended the Act since its passage.

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.

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

Current Expected Credit Loss Accounting Standard

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses (Topic 326) ("CECL") which requires banks to record, at the time of origination, credit losses expected throughout the life of the asset portfolio on loans, held-to-maturity securities and other assets measured at amortized cost, as opposed the current practice of recording losses when it is probable that a loss event has occurred. The expected losses will be based on historical experience, current conditions, and reasonable and supportable forecasts. CECL also impacts the recognition of impairment on available-for-sale securities. CECL will be effective in 2020 for SEC registrants and 2021 for all others. The Company is taking the necessary steps to be in compliance with the CECL accounting standard which is expected to become a critical accounting policy.

In addition, in December 2018, the U.S. federal banking agencies finalized rules that would permit BHCs and banks to phase-in, for regulatory capital purposes, the day-one impact of CECL on retained earnings over a period of three years. For further discussion of the new CECL accounting standard, see Note 2 "Recent Accounting Pronouncements," of the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K.

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.

On March 15, 2018, the U.S. Court of Appeals for the Fifth Circuit vacated the regulation issued by the U.S. Department of Labor (the "Fiduciary Rule") that had generally taken effect in June 2017 and that made anyone, including broker-dealers, providing investment advice to retirement investors a fiduciary who must act in the best interest of clients when providing investment advice for direct or indirect compensation to a retirement plan, to a plan fiduciary, participant or beneficiary, or to an investment retirement account ("IRA") or IRA holder. A petition for rehearing en banc was denied, and the DOL did not timely seek review of the decision by the U.S. Supreme Court. As a result, the Fifth Circuit issued its mandate on June 21, 2018, making the Fiduciary Rule null and void as of that date. The Department of Labor could, in the future, issue a revised version of the Fiduciary Rule.

On May 9, 2018, the SEC proposed Regulation Best Interest, which would impose a new standard of conduct on SEC-registered broker-dealers when making recommendations to retail customers, clarify certain aspects of the fiduciary duty that an SEC-registered investment adviser owes to its clients and mandate summary disclosure to retail customers describing their relationship with and services offered by registered broker-dealers and investment advisers.

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. 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. We continue to evaluate the effect of the proposed rules, both of which are subject to further rulemaking procedures.

Employees

At December 31, 2018, the Company and its subsidiaries employed a total of 4,727 full-time-equivalent employees. The Company provides its employees with comprehensive medical and dental benefit plans, life insurance plans, 401(k) plans and an employee stock purchase plan. The Company considers its relationship with its employees to be good.

Available Information

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

Supplemental Statistical Data

The following statistical information is provided in accordance with the requirements of The Securities Act Industry Guide 3, Statistical Disclosure by Bank Holding Companies, which is part of Regulation S-K as promulgated by the SEC. This data should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, and Management's Discussion and Analysis which are contained in Item 8 and Item 7, respectively, of this Annual Report on Form 10-K.

Investment Securities Portfolio

The following table presents the amortized cost and fair value of the Company's investment securities portfolios, by investment category, as of December 31, 2018, 2017 and 2016:

(Dollars in thousands)	**2018**		2017		2016	
	Amortized Cost	**Fair Value**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities						
U.S. Treasury	**$ 126,199**	**$ 126,404**	$ 144,904	$ 143,822	$ 142,741	$ 141,983
U.S. Government agencies	**139,420**	**140,307**	157,638	156,915	189,540	189,152
Municipal	**136,831**	**138,490**	113,197	115,352	129,446	131,809
Corporate notes:						
Financial issuers	**97,079**	**90,045**	30,309	30,051	65,260	64,392
Other	**1,000**	**1,000**	1,000	999	1,000	999
Mortgage-backed: (1)						
Mortgage-backed securities	**1,641,146**	**1,586,339**	1,291,695	1,260,186	1,185,448	1,131,402
Collateralized mortgage obligations	**43,819**	**43,496**	60,092	59,539	30,105	29,682
Equity securities (2)	**—**	**—**	34,234	36,802	32,608	35,248
Total available-for-sale securities	**$ 2,185,494**	**$ 2,126,081**	$ 1,833,069	$ 1,803,666	$ 1,776,148	$ 1,724,667
Held-to-maturity securities						
U.S. Government agencies	**$ 814,864**	**$ 787,429**	$ 579,062	$ 565,019	$ 433,343	$ 408,880
Municipal	**252,575**	**248,667**	247,387	247,497	202,362	198,722
Total held-to-maturity securities	**$ 1,067,439**	**$ 1,036,096**	$ 826,449	$ 812,516	$ 635,705	$ 607,602
Equity securities with readily determinable fair value (2)	**$ 34,410**	**$ 34,717**	$ —	$ —	$ —	$ —

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

(2) As a result of the adoption of ASU No. 2016-01 effective January 1, 2018, equity securities with readily determinable fair value are no longer presented within available-for-sale securities and are now presented as equity securities with readily determinable fair values in the Company's Consolidated Statements of Condition for the current period.

Tables presenting the carrying amounts and gross unrealized gains and losses for securities at December 31, 2018 and 2017 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, 2018, 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	$ 25,835	$ 100,569	$ —	$ —	$ —	$ —	$ 126,404
U.S. Government agencies	9,977	3,360	9,595	117,375	—	—	140,307
Municipal	46,341	41,348	38,596	12,205	—	—	138,490
Corporate notes:							
Financial issuers	—	23,030	67,015	—	—	—	90,045
Other	—	1,000	—	—	—	—	1,000
Mortgage-backed: (1)							
Mortgage-backed securities	—	—	—	—	1,586,339	—	1,586,339
Collateralized mortgage obligations	—	—	—	—	43,496	—	43,496
Total available-for-sale securities	$ 82,153	$ 169,307	$ 115,206	$ 129,580	$ 1,629,835	$ —	$ 2,126,081
Held-to-maturity securities							
U.S. Government agencies	$ 2,002	$ 3,065	$ 203,705	$ 606,092	$ —	$ —	$ 814,864
Municipal	8,007	26,371	92,192	126,005	—	—	252,575
Total held-to-maturity securities	$ 10,009	$ 29,436	$ 295,897	$ 732,097	$ —	$ —	$ 1,067,439
Equity securities with readily determinable fair value	$ —	$ —	$ —	$ —	$ —	$ 34,717	$ 34,717

(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, 2018:

	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	1.36%	2.75%	—%	—%	—%	—%	2.47%
U.S. Government agencies	1.31	5.33	3.85	4.19	—	—	3.99
Municipal	2.50	2.96	3.64	3.61	—	—	3.05
Corporate notes:							
Financial issuers	—	3.72	4.27	—	—	—	4.13
Other	—	3.42	—	—	—	—	3.42
Mortgage-backed: (1)							
Mortgage-backed securities	—	—	—	—	2.88	—	2.88
Collateralized mortgage obligations	—	—	—	—	3.07	—	3.07
Total available-for-sale securities	2.00%	2.99%	4.02%	4.14%	2.89%	—%	3.00%
Held-to-maturity securities							
U.S. Government agencies	1.70%	1.66%	3.06%	3.36%	—%	—%	3.27%
Municipal	1.71	2.65	3.40	3.55	—	—	3.34
Total held-to-maturity securities	1.71%	2.55%	3.17%	3.39%	—%	—%	3.28%
Equity securities with readily determinable fair value	—%	—%	—%	—%	—%	1.12%	1.12%

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

ITEM 1A. RISK FACTORS

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

Risks Related to Our Business and Operating Environment

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.

More specifically, the U.S. economy has generally strengthened and growth in economic activity in our geographic area has increased to a moderate pace over recent periods. 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, excluding covered loans, increased to $19.7 million in 2018 from $15.0 million in 2017. Our balance of non-performing loans and other real estate owned ("OREO") was $113.2 million and $24.8 million, respectively, at December 31, 2018 compared to $90.2 million and $40.6 million, respectively, at December 31, 2017. Deterioration in the economy, real estate markets 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, 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. Specifically, 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, 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.

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.

Following the U.S. presidential election in 2016, there has been discussion and dialogue 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 in the future. 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.

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. The USMCA is subject to congressional approval and various components of the USMCA are not effective until 2020. 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.

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

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

Because our allowance for loan losses represents an estimate of inherent losses, there is no certainty that it will be adequate over time to cover credit losses in the portfolio, particularly if there is deterioration in general economic or market conditions or events that adversely affect specific customers. In 2018, we charged off $19.7 million in loans (net of recoveries) and increased our allowance for loan losses from $137.9 million at December 31, 2017 to $152.8 million at December 31, 2018. The increase in allowance in 2018 was primarily the result of higher impaired loans requiring specific reserves and significant loan growth during the period. Our allowance for loan losses represents 0.64% of total loans outstanding at December 31, 2018 and 2017. The Company's future adoption of Accounting Standards Update No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," may result in an increase in the allowance for loan losses and related coverage ratios at the time of adoption regardless of changes in the economy and the related ability of borrowers to repay their loans. Such accounting rules are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted.

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

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

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

The repayment of our commercial loans is dependent upon the financial success and viability of the borrower. If the economy 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. Our commercial loan portfolio totaled $7.8 billion or 33% of our total loan portfolio, at December 31, 2018, compared to $6.8 billion, or 31% of our total loan portfolio, at December 31, 2017.

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, 2018 and 2017, approximately 37% and 39%, 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.

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.

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 its core banking activities of lending and deposit taking, since changes in prevailing interest rates affect the value of our assets and liabilities. Such changes may adversely affect our net interest income, which is the difference between interest income and interest expense. Our net interest income is affected by the fact that assets and liabilities reprice at different times and by different amounts as interest rates change. Net interest income represents our largest component of net income, and was $964.9 million and $832.1 million for the years ended December 31, 2018 and 2017, respectively.

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

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

After a prolonged period of low and relatively stable interest rates, interest rates rose over the course of 2017 and 2018, although interest rates continue to remain low by historical standards.

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 $3.5 million, $4.4 million and $11.5 million for the years ended December 31, 2018, 2017 and 2016, 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 continue to 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.

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, if adopted, certain proposed 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, we will lose market share and income from deposits, loans and other products may be reduced. This could adversely affect our profitability and have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of Wintrust's tangible book value and net income per common share may occur as a result of any future 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.

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

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

We may also be subject to certain risks relating to any future loss sharing agreements with the FDIC. Under a loss sharing agreement, the FDIC generally agrees to reimburse the acquiring bank for a portion of any losses relating to covered assets of the acquired financial institution. This was an important financial term of any FDIC-assisted transaction, as troubled financial institutions often have poorer asset quality. As a condition to reimbursement, however, the FDIC requires the acquiring bank to follow certain servicing procedures. A failure to follow servicing procedures or any other breach of a loss sharing agreement by us would result in the loss of FDIC reimbursement. In addition, reimbursable losses and recoveries under loss sharing agreements are based on the book value of the relevant loans and other assets as determined by the FDIC as of the effective dates of the acquisitions. The amount that the acquiring banks realizes on these assets could differ materially from the carrying value reflected in our financial statements, based upon the timing and amount of collections on the covered loans. Any failure to receive reimbursement, or any material differences between the amount of reimbursements that we receive and the carrying value reflected in our financial statements, would have a material negative effect on our 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.

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.

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.

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, 2018, approximately 95% 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, 2018, 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 other-than-temporary 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.

Our controls and procedures may fail or be circumvented.

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

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

We continually implement new lines of business and offer new products and services within existing lines of business to offer our customers a competitive array of products and services. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services, 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.

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, 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, 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.

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

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

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

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

Periodically, as a result of our normal course of business, we are involved in claims and related litigation from our customers, 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.

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

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

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

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

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

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties and routinely execute transactions with counterparties in the financial services industry, including the Federal Home Loan Bank ("FHLB"), commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose us to credit risk 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.

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

Our financial results have been and will continue to be impacted by our strategy of branch openings and de novo bank formations. We expect to increase the opening of additional branches as market conditions improve and, if the interest rate environment and economic climate and regulatory conditions become favorable, may resume de novo bank formations. 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.

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 Act on December 22, 2017, and given the current 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 new CECL standard discussed above, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements.

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

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

Anti-takeover provisions could negatively impact our shareholders.

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

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

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

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

On July 27, 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. It is currently impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere.

On April 3, 2018, the Federal Reserve Bank of New York commenced publication of three reference rates based on overnight U.S. Treasury repurchase agreement transactions, including the Secured Overnight Financing Rate ("SOFR"), which has been recommended as an alternative to U.S. dollar LIBOR by the Alternative Reference Rates Committee. 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.

At this time, we cannot predict whether SOFR and reformed SONIA will become accepted alternatives to LIBOR or 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 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. 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 Our Regulatory Environment

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

As a banking institution, we are subject to regulations that require us to maintain certain capital ratios, such as the ratio of our Tier 1 capital to our risk-based assets, 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. During the past few years, the Federal Reserve has made two notable changes to U.S. monetary policy. First, following a prolonged period of low and relatively stable interest rates, it has begun to raise interest rates. Second, it has stated its intention to end its quantitative easing program and has begun to reduce the size of its balance sheet by selling securities, which might also affect interest rates. Additionally, any trend toward inflation, economic decline, destabilizing of financial markets, or other factors beyond our control may significantly affect consumer demand for our products and consumers' ability to repay loans, reducing our results of operations.

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

We are 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 becomes 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. 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.

On May 24, 2018, the Economic Growth Act was signed into law. Among other regulatory changes, the Economic Growth Act amends various sections of the Dodd-Frank Act, including section 165 of the Dodd-Frank Act, which was revised to raise the asset thresholds for determining the application of enhanced prudential standards for BHCs. The effects of these changes on the Company are expected to be limited because the Company was subject to only limited enhanced prudential standards prior to the Economic Growth Act's enactment. Certain of our competitors, however, will benefit from a more significant reduction in regulatory burdens, and, as a result, may become more competitive or aggressive in pursuing expansion.

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, 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.

Since 2013, the U.S. federal banking authorities have increased most of the required minimum regulatory capital ratios applicable to all U.S. banks that are subject to minimum capital requirements as well as to bank and saving and loan holding companies, other than "small bank holding companies" (generally bank holding companies with consolidated assets of less than $500 million). The U.S. federal banking authorities also introduced a Common Equity Tier 1 Capital ratio and the concept of a capital conservation buffer in addition to changing the definition of capital.

These provisions, as well as other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, 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.

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.

Risks Related to Our Niche Businesses

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

We provide financing for the payment of commercial insurance premiums and life insurance premiums on a national basis through FIRST Insurance Funding and Wintrust Life Finance, respectively, and financing for the payment of commercial insurance premiums in Canada through our wholly-owned subsidiary, FIFC Canada. Commercial insurance premium finance loans involve a different, and possibly higher, risk of delinquency or collection than life insurance premium finance loans and the loan portfolios of our bank subsidiaries because these loans are issued primarily through relationships with a large number of unaffiliated insurance agents and because the borrowers are located nationwide. As a result, risk management and general supervisory oversight may be difficult. As of December 31, 2018, we had $2.8 billion of commercial insurance premium finance loans outstanding, of which $2.5 billion were originated in the U.S. by FIRST Insurance Funding and $337.1 million were originated in Canada by FIFC Canada. Together, these loans represented 12% 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 commercial insurance premium finance loans because these loans are originated and many times funded through relationships with unaffiliated insurance agents and brokers. In the second quarter of 2010, fraud perpetrated against a number of premium finance companies in the industry, including the property and casualty division of 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 monitors compliance with regulation of each of its 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 which are spread among a large number of insurers; however, one of the insurers represents approximately 15% of such balances and two additional insurers represent approximately 6% and 4%, respectively, 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's executive offices are located at 9700 W. Higgins Road, Rosemont, Illinois. The Company also leases office locations and retail space at 231 S. LaSalle Street in downtown Chicago and at 731 N. Jackson Street in downtown Milwaukee. The Company's community banking segment operates through 167 banking facilities, the majority of which are owned. The Company owns 222 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. 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 48 locations in 15 states, all of which are leased, as well as office locations at several of our banks.

The Company's wealth management subsidiaries have two locations in downtown Chicago, one in Appleton, Wisconsin, and one in Tampa Bay, 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 at 231 S. LaSalle Street in downtown Chicago, Jersey City, 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

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

On January 15, 2015, Lehman Brothers Holdings, Inc. ("Lehman Holdings") sent a demand letter asserting that Wintrust Mortgage must indemnify it for losses arising from loans sold by Wintrust Mortgage to Lehman Brothers Bank, FSB under a Loan Purchase Agreement between Wintrust Mortgage, as successor to SGB Corporation, and Lehman Brothers Bank. The demand was the precursor for triggering the alternative dispute resolution process mandated by the U.S. Bankruptcy Court for the Southern District of New York. Lehman Holdings triggered the mandatory alternative dispute resolution process on October 16, 2015. On February 3, 2016, following a ruling by the federal Court of Appeals for the Tenth Circuit that was adverse to Lehman Holdings on the statute of limitations that is applicable to similar loan purchase claims, Lehman Holdings filed a complaint against Wintrust Mortgage and 150 other entities from which it had purchased loans in the U.S. Bankruptcy Court for the Southern District of New York. The mandatory mediation was held on March 16, 2016, but did not result in a consensual resolution of the dispute. The court entered a case management order governing the litigation on November 1, 2016. Lehman Holdings filed an amended complaint against Wintrust Mortgage on December 29, 2016. On March 31, 2017, Wintrust Mortgage moved to dismiss the amended complaint for lack of subject matter jurisdiction and improper venue or to transfer venue. Argument on the motions to dismiss were heard on June 12, 2018. The motion to dismiss for lack of subject matter jurisdiction was denied on August 14, 2018 and the defendants' motion to transfer venue was denied on October 2, 2018. Wintrust Mortgage has appealed the denial of its motion to dismiss based on improper venue and the denial of its motion to transfer venue.

On October 2, 2018, Lehman Holdings asked the court for permission to amend its complaints against Wintrust Mortgage and the other defendants to add loans allegedly purchased from the defendants and sold to various RMBS trusts. The court granted this request and allowed Lehman Holdings to assert the additional claims against existing defendants as a supplemental complaint. Lehman Holdings filed its supplemental complaint against Wintrust Mortgage on December 4, 2018. Wintrust Mortgage's response to the supplemental complaint is due within 45 days of the court's approval of a proposed amended scheduling order, which is currently pending. At this time, Lehman Holdings has not provided Wintrust Mortgage with sufficient information to allow Wintrust Mortgage to assess the merits of Lehman Holding's additional claims or to estimate either the likelihood or amount of any potential liability for the additional claims.

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

On April 9, 2018, JPMorgan Chase & Co. as successor in interest to Bear Stearns and certain related Bear Stearns entities (collectively, "JPMC") sent a demand letter to Wintrust Mortgage asserting an indemnification claim of approximately $4.6 million. JPMC alleges that it incurred this loss due to its reliance on misrepresentations in the loans Wintrust Mortgage originated, underwrote and sold to JPMC in the years prior to 2009. JPMC has not provided Wintrust Mortgage with sufficient information concerning the loans allegedly at issue to allow Wintrust Mortgage to assess the merits of JPMC's allegations or to estimate either the likelihood or amount of any potential liability.

On October 17, 2018, a former Wintrust Mortgage employee filed a lawsuit 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 from October 17, 2014 through the present. Wintrust Mortgage received service of the complaint on November 4, 2018. Wintrust Mortgage's response to the complaint was filed on February 25, 2019. At this time, Wintrust Mortgage lacks sufficient information to assess the merits of the allegations or to estimate either the likelihood or amount of any potential liability.

On October 17, 2018, two individual plaintiffs filed suit 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 remains pending before the court. Northbrook Bank believes the allegations to be legally and factually meritless and otherwise lacks sufficient information to estimate the amount of any potential liability.

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.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

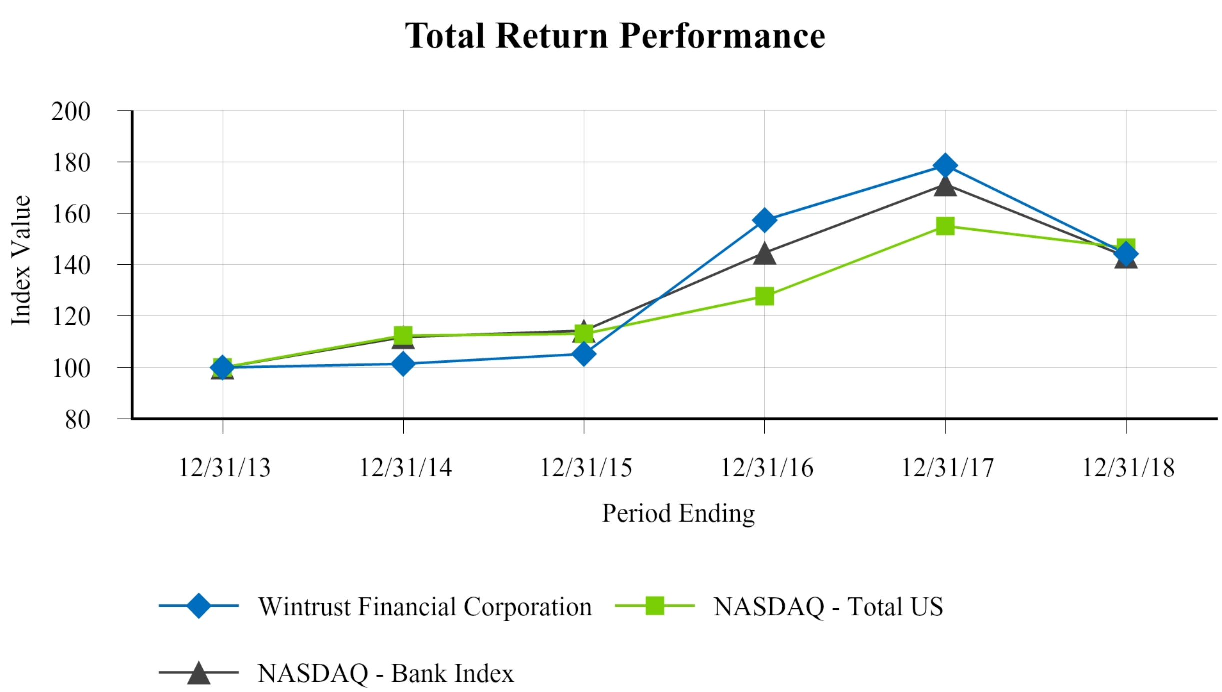
The Company's common stock is traded on The NASDAQ Global Select Stock Market under the symbol WTFC. The following table sets forth the high and low sales prices reported on NASDAQ for the common stock by fiscal quarter during 2018 and 2017.

	2018		2017	
	High	**Low**	High	Low
Fourth Quarter	**$ 88.81**	**$ 61.53**	$ 86.80	$ 76.00
Third Quarter	**92.56**	**84.61**	80.52	67.74
Second Quarter	**99.96**	**83.47**	79.27	64.14
First Quarter	**91.67**	**76.70**	76.71	65.29

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.



	2013	2014	2015	2016	**2017**	**2018**
Wintrust Financial Corporation	100.00	101.39	105.20	157.35	178.60	**144.17**
NASDAQ — Total US	100.00	112.46	113.00	127.70	155.01	**146.57**
NASDAQ — Bank Index	100.00	111.83	114.30	144.63	171.24	**143.15**

Approximate Number of Equity Security Holders

As of February 7, 2019, there were approximately 1,654 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 Trust Preferred Securities offerings and under certain financial covenants in the Company's revolving and term facilities. Under the terms of these separate facilities entered into on 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 2018 and 2017:

Record Date	Payable Date	Dividend per Share
November 8, 2018	November 23, 2018	$0.19
August 9, 2018	August 23, 2018	$0.19
May 10, 2018	May 24, 2018	$0.19
February 8, 2018	February 22, 2018	$0.19
November 9, 2017	November 24, 2017	$0.14
August 10, 2017	August 24, 2017	$0.14
May 11, 2017	May 25, 2017	$0.14
February 9, 2017	February 23, 2017	$0.14

On January 24, 2019, Wintrust Financial Corporation announced that the Company's Board of Directors approved a quarterly cash dividend of $0.25 per share of outstanding common stock. The dividend was paid on February 21, 2019 to shareholders of record as of February 7, 2019.

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 2018, 2017 and 2016, the banks and certain wealth management subsidiaries paid $111.0 million, $122.0 million and $59.0 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

No purchases of the Company's common shares were made by or on behalf of the Company or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during the year ended December 31, 2018. There is currently no authorization to repurchase shares of outstanding common stock.

ITEM 6. SELECTED FINANCIAL DATA

	Years Ended December 31,				
(Dollars in thousands, except per share data)	**2018**	2017	2016	2015	2014
Selected Financial Condition Data (at end of year):					
Total assets	**$ 31,244,849**	$ 27,915,970	$ 25,668,553	$ 22,909,348	$ 19,998,840
Total loans, excluding loans held-for-sale and covered loans	**23,820,691**	21,640,797	19,703,172	17,118,117	14,409,398
Total deposits	**26,094,678**	23,183,347	21,658,632	18,639,634	16,281,844
Junior subordinated debentures	**253,566**	253,566	253,566	268,566	249,493
Total shareholders' equity	**3,267,570**	2,976,939	2,695,617	2,352,274	2,069,822
Selected Statements of Income Data:					
Net interest income	**$ 964,903**	$ 832,076	$ 722,193	$ 641,529	$ 598,575
Net revenue (1)	**1,321,053**	1,151,582	1,047,623	913,126	813,815
Net income	**343,166**	257,682	206,875	156,749	151,398
Net income per common share – Basic	**5.95**	4.53	3.83	3.05	3.12
Net income per common share – Diluted	**5.86**	4.40	3.66	2.93	2.98
Selected Financial Ratios and Other Data:					
Performance Ratios:					
Net interest margin	**3.59%**	3.41%	3.24%	3.34%	3.51%
Net interest margin - fully taxable equivalent (non-GAAP) (2)	**3.61**	3.44	3.26	3.36	3.53
Non-interest income to average assets	**1.23**	1.21	1.34	1.29	1.15
Non-interest expense to average assets	**2.85**	2.78	2.81	2.99	2.93
Net overhead ratio (3)	**1.62**	1.56	1.47	1.70	1.77
Return on average assets	**1.18**	0.98	0.85	0.75	0.81
Return on average common equity	**11.26**	9.26	8.37	7.15	7.77
Return on average tangible common equity (non-GAAP) (2)	**13.95**	11.63	10.90	9.44	10.14
Average total assets	**$ 29,028,420**	$ 26,369,702	$ 24,292,231	$ 20,999,837	$ 18,685,341
Average total shareholders' equity	**3,098,740**	2,842,081	2,549,929	2,232,989	1,993,959
Average loans to average deposits ratio (excluding covered loans)	**93.7%**	92.7%	90.9%	89.9%	88.0%
Average loans to average deposits ratio (including covered loans)	**93.7**	92.9	91.4	91.0	89.8%
Common Share Data at end of year:					
Market price per common share	**$ 66.49**	$ 82.37	$ 72.57	$ 48.52	$ 46.76
Book value per common share (2)	**$ 55.71**	$ 50.96	$ 47.12	$ 43.42	$ 41.52
Tangible book value per common share (2)	**$ 44.73**	$ 41.68	$ 37.08	$ 33.17	$ 32.45
Common shares outstanding	**56,407,558**	55,965,207	51,880,540	48,383,279	46,805,055
Other Data at end of year: (5)					
Leverage Ratio	**9.1%**	9.3%	8.9%	9.1%	10.2%
Tier 1 capital to risk-weighted assets	**9.7**	9.9	9.7	10.0	11.6
Common Equity Tier 1 capital to risk-weighted assets	**9.3**	9.4	8.6	8.4	N/A
Total capital to risk-weighted assets	**11.6**	12.0	11.9	12.2	13.0
Allowance for credit losses (4)	**$ 154,164**	$ 139,174	$ 123,964	$ 106,349	$ 92,480
Non-performing loans	**113,234**	90,162	87,454	84,057	78,677
Allowance for credit losses(4) to total loans, excluding covered loans	**0.65%**	0.64%	0.63%	0.62%	0.64%
Non-performing loans to total loans, excluding covered loans	**0.48**	0.42	0.44	0.49	0.55
Number of:					
Bank subsidiaries	**15**	15	15	15	15
Banking offices	**167**	157	155	152	140

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

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

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

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

(5) Asset quality ratios exclude covered loans.

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

Forward Looking Statements

This document contains forward-looking statements within the meaning of federal securities laws. Forward-looking information can be identified through the use of words such as "intend," "plan," "project," "expect," "anticipate," "believe," "estimate," "contemplate," "possible," "will," "may," "should," "would" and "could." Forward-looking statements and 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, which may include, but are not limited to, those listed below and the Risk Factors discussed under Item 1A on page 23 of this Annual Report on Form 10-K, as well as other risks and uncertainties set forth from time to time in the Company's other filings with the SEC. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to the Company's future financial performance, the performance of its loan portfolio, the expected amount of future credit reserves and charge-offs, delinquency trends, growth plans, regulatory developments, securities that the Company may offer from time to time, and management's long-term performance goals, as well as statements relating to the anticipated effects on financial condition and results of operations from expected developments or events, the Company's business and growth strategies, including future acquisitions of banks, specialty finance or wealth management businesses, internal growth and plans to form additional de novo banks or branch offices. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

- economic conditions that affect the economy, housing prices, the job market and other factors that may adversely affect the Company's liquidity and the performance of its loan portfolios, particularly in the markets in which it operates;
- negative effects suffered by us or our customers resulting from changes in U.S. trade policies;
- the extent of defaults and losses on the Company's loan portfolio, which may require further increases in its allowance for credit losses;
- estimates of fair value of certain of the Company's assets and liabilities, which could change in value significantly from period to period;
- the financial success and economic viability of the borrowers of our commercial loans;
- commercial real estate market conditions in the Chicago metropolitan area and southern Wisconsin;
- the extent of commercial and consumer delinquencies and declines in real estate values, which may require further increases in the Company's allowance for loan and lease losses;
- inaccurate assumptions in our analytical and forecasting models used to manage our loan portfolio;
- changes in the level and volatility of interest rates, the capital markets and other market indices that may affect, among other things, the Company's liquidity and the value of its assets and liabilities;
- competitive pressures in the financial services business which may affect the pricing of the Company's loan and deposit products as well as its services (including wealth management services), which may result in loss of market share and reduced income from deposits, loans, advisory fees and income from other products;
- failure to identify and complete favorable acquisitions in the future or unexpected difficulties or developments related to the integration of the Company's recent or future acquisitions;
- unexpected difficulties and losses related to FDIC-assisted acquisitions;
- harm to the Company's reputation;
- any negative perception of the Company's financial strength;
- ability of the Company to raise additional capital on acceptable terms when needed;
- disruption in capital markets, which may lower fair values for the Company's investment portfolio;
- ability of the Company to use technology to provide products and services that will satisfy customer demands and create efficiencies in operations and to manage risks associated therewith;
- failure or breaches of our security systems or infrastructure, or those of third parties;
- security breaches, including denial of service attacks, hacking, social engineering attacks, malware intrusion or data corruption attempts and identity theft;
- adverse effects on our information technology systems resulting from failures, human error or cyberattacks;
- adverse effects of failures by our vendors to provide agreed upon services in the manner and at the cost agreed, particularly our information technology vendors;
- increased costs as a result of protecting our customers from the impact of stolen debit card information;
- accuracy and completeness of information the Company receives about customers and counterparties to make credit decisions;

- ability of the Company to attract and retain senior management experienced in the banking and financial services industries;
- environmental liability risk associated with lending activities;
- the impact of any claims or legal actions to which the Company is subject, including any effect on our reputation;
- losses incurred in connection with repurchases and indemnification payments related to mortgages and increases in reserves associated therewith;
- the loss of customers as a result of technological changes allowing consumers to complete their financial transactions without the use of a bank;
- the soundness of other financial institutions;
- the expenses and delayed returns inherent in opening new branches and de novo banks;
- examinations and challenges by tax authorities, and any unanticipated impact of the Tax Act;
- changes in accounting standards, rules and interpretations such as the new CECL standard, and the impact on the Company's financial statements;
- the ability of the Company to receive dividends from its subsidiaries;
- uncertainty about the future of LIBOR;
- a decrease in the Company's capital ratios, including as a result of declines in the value of its loan portfolios, or otherwise;
- legislative or regulatory changes, particularly changes in regulation of financial services companies and/or the products and services offered by financial services companies;
- a lowering of our credit rating;
- changes in U.S. monetary policy and changes to the Federal Reserve's balance sheet as a result of the end of its program of quantitative easing or otherwise;
- restrictions upon our ability to market our products to consumers and limitations on our ability to profitably operate our mortgage business resulting from the Dodd-Frank Act;
- increased costs of compliance, heightened regulatory capital requirements and other risks associated with changes in regulation and the regulatory environment;
- the impact of heightened capital requirements;
- increases in the Company's FDIC insurance premiums, or the collection of special assessments by the FDIC;
- delinquencies or fraud with respect to the Company's premium finance business;
- credit downgrades among commercial and life insurance providers that could negatively affect the value of collateral securing the Company's premium finance loans;
- the Company's ability to comply with covenants under its credit facility; and
- fluctuations in the stock market, which may have an adverse impact on the Company's wealth management business and brokerage operation.

Therefore, there can be no assurances that future actual results will correspond to 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 after the date of this Annual Report on Form 10-K, except as required by law. 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.

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, 2018. This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, and Selected Financial Highlights appearing elsewhere within this Annual Report on Form 10-K.

OPERATING SUMMARY

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

	Years Ended December 31,			Percentage % or Basis Point (bp) Change	Percentage % or Basis Point (bp) Change
(Dollars in thousands, except per share data)	**2018**	2017	2016	**2017 to 2018**	2016 to 2017
Net income	**$ 343,166**	$ 257,682	$ 206,875	**33%**	25%
Net income per common share — Diluted	**5.86**	4.40	3.66	**33**	20
Net revenue [(1)]	**1,321,053**	1,151,582	1,047,623	**15**	10
Net interest income	**964,903**	832,076	722,193	**16**	15
Net interest margin	**3.59%**	3.41%	3.24%	18 bp	17 bp
Net interest margin - fully taxable equivalent (non-GAAP) [(2)]	**3.61**	3.44	3.26	**17**	18
Net overhead ratio [(3)]	**1.62**	1.56	1.47	**6**	9
Return on average assets	**1.18**	0.98	0.85	**20**	13
Return on average common equity	**11.26**	9.26	8.37	**200**	89
Return on average tangible common equity (non-GAAP) [(2)]	**13.95**	11.63	10.90	**232**	73
At end of period					
Total assets	**$31,244,849**	$ 27,915,970	$ 25,668,553	**12%**	9%
Total loans, excluding loans held-for-sale, excluding covered loans	**23,820,691**	21,640,797	19,703,172	**10**	10
Total deposits	**26,094,678**	23,183,347	21,658,632	**13**	7
Total shareholders' equity	**3,267,570**	2,976,939	2,695,617	**10**	10
Book value per common share [(2)]	**$ 55.71**	$ 50.96	$ 47.12	**9**	8
Tangible book value per common share [(2)]	**44.73**	41.68	37.08	**7**	12
Market price per common share	**66.49**	82.37	72.57	**(19)**	14
Excluding covered loans:					
Allowance for credit losses to total loans[(4)]	**0.65%**	0.64%	0.63%	**1 bp**	1 bp
Non-performing loans to total loans	**0.48**	0.42	0.44	**6**	(2)

(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.*

(4) *The allowance for credit losses includes both the allowance for loan losses and the allowance for lending-related commitments.*

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 and return on average tangible common equity. Management believes that these measures and ratios provide users of the Company’s financial information a more meaningful view of the performance of the 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. 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.

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

	Years Ended December 31,				
(Dollars and shares in thousands, except per share data)	**2018**	2017	2016	2015	2014
Calculation of Net Interest Margin and Efficiency Ratio					
(A) Interest Income (GAAP)	**$ 1,170,810**	$ 946,468	$ 812,457	$ 718,464	$ 671,267
Taxable-equivalent adjustment:					
-Loans	**3,403**	3,760	2,282	1,431	1,128
-Liquidity management assets	**2,258**	3,713	3,630	3,221	2,000
-Other earning assets	**11**	14	40	57	41
(B) Interest Income - FTE	**$ 1,176,482**	$ 953,955	$ 818,409	$ 723,173	$ 674,436
(C) Interest Expense (GAAP)	**205,907**	114,392	90,264	76,935	72,692
(D) Net interest Income - FTE (B minus C)	**$ 970,575**	$ 839,563	$ 728,145	$ 646,238	$ 601,744
(E) Net Interest Income (GAAP) (A minus C)	**$ 964,903**	$ 832,076	$ 722,193	$ 641,529	$ 598,575
Net interest margin (GAAP-derived)	**3.59%**	3.41%	3.24%	3.34%	3.51%
Net interest margin — FTE	**3.61**	3.44	3.26	3.36	3.53
(F) Non-interest income (GAAP)	**$ 356,150**	$ 319,506	$ 325,430	$ 271,597	$ 215,240
(G) (Losses) gains on investment securities, net (GAAP)	**(2,898)**	45	7,645	323	(504)
(H) Non-interest expense (GAAP)	**826,088**	731,817	681,685	628,419	546,847
Efficiency ratio (H/(E+F-G))	**62.40%**	63.55%	65.55%	68.84%	67.15%
Efficiency ratio - FTE (H/(D+F-G))	**62.13**	63.14	65.18	68.49	66.89
Calculation of Tangible Common Equity ratio (at period end)					
Total shareholders' equity (GAAP)	**$ 3,267,570**	$ 2,976,939	$ 2,695,617	$ 2,352,274	$ 2,069,822
(I) Less: Convertible preferred stock (GAAP)	**—**	—	(126,257)	(126,287)	(126,467)
Less: Non-convertible preferred stock (GAAP)	**(125,000)**	(125,000)	(125,000)	(125,000)	—
Less: Goodwill and other intangible assets (GAAP)	**(622,565)**	(519,505)	(520,438)	(495,970)	(424,445)
(J) Total tangible common shareholders' equity	**$ 2,520,005**	$ 2,332,434	$ 1,923,922	$ 1,605,017	$ 1,518,910
Total assets (GAAP)	**$ 31,244,849**	$ 27,915,970	$ 25,668,553	$ 22,909,348	$ 19,998,840
Less: Goodwill and other intangible assets (GAAP)	**(622,565)**	(519,505)	(520,438)	(495,970)	(424,445)
(K) Total tangible assets	**$ 30,622,284**	$ 27,396,465	$ 25,148,115	$ 22,413,378	$ 19,574,395
Tangible common equity ratio (J/K)	**8.2%**	8.5%	7.7%	7.2%	7.8%
Tangible common equity ratio, assuming full conversion of preferred stock ((J-I)/K)	**8.2**	8.5	8.2	7.7	8.4
Calculation of book value per common share					
Total shareholders' equity (GAAP)	**$ 3,267,570**	$ 2,976,939	$ 2,695,617	$ 2,352,274	$ 2,069,822
Less: Preferred stock (GAAP)	**(125,000)**	(125,000)	(251,257)	(251,287)	(126,467)
(L) Total common equity	**$ 3,142,570**	$ 2,851,939	$ 2,444,360	$ 2,100,987	$ 1,943,355
(M) Actual common shares outstanding	**56,408**	55,965	51,881	48,383	46,805
Book value per common share (L/M)	**$ 55.71**	$ 50.96	$ 47.12	$ 43.42	$ 41.52
Tangible book value per common share (J/M)	**44.67**	41.68	37.08	33.17	32.45
Calculation of return on average common equity					
(N) Net income applicable to common shares	**$ 334,966**	$ 247,904	$ 192,362	$ 145,880	$ 145,075
Add: After-tax intangible asset amortization	**3,407**	2,907	2,986	2,879	2,881
(O) Tangible net income applicable to common shares	**$ 338,373**	$ 250,811	$ 195,348	$ 148,759	$ 147,956
Total average shareholders' equity	**$ 3,098,740**	$ 2,842,081	$ 2,549,929	$ 2,232,989	$ 1,993,959
Less: Average preferred stock	**(125,000)**	(165,114)	(251,258)	(191,416)	(126,471)
(P) Total average common shareholders' equity	**$ 2,973,740**	$ 2,676,967	$ 2,298,671	$ 2,041,573	$ 1,867,488
Less: Average intangible assets	**(548,223)**	(519,910)	(506,241)	(466,225)	(408,642)
(Q) Total average tangible common shareholders' equity	**$ 2,425,517**	$ 2,157,057	$ 1,792,430	$ 1,575,348	$ 1,458,846
Return on average common equity (N/P)	**11.26%**	9.26%	8.37%	7.15%	7.77%
Return on average tangible common equity (O/Q)	**13.95**	11.63	10.90	9.44	10.14

OVERVIEW AND STRATEGY

2018 Highlights

The Company recorded net income of $343.2 million for the year of 2018 compared to $257.7 million and $206.9 million for the years of 2017 and 2016, respectively. The results for 2018 demonstrate continued operating strengths including strong loan and deposit growth which, coupled with increased net interest margin, resulted in higher net interest income, higher revenue from the wealth management and mortgage banking businesses and growth in the leasing business. Additionally, the Company's net income was positively impacted by a reduction of the federal corporate income tax rate effective in 2018 as a result of the enactment of the Tax Act.

The Company increased its loan portfolio, excluding loans held-for-sale, from $21.6 billion at December 31, 2017 to $23.8 billion at December 31, 2018. This increase was primarily due to the Company's commercial banking initiative as well as growth in the commercial real estate portfolio, residential real estate portfolio and the premium finance receivables portfolios. Loan growth was also attributed to the acquisitions of Chicago Shore Corporation ("CSC") and the acquisition of certain assets and assumption of certain liabilities of American Enterprise Bank ("AEB"). The Company is focused on making new loans, including in the commercial and commercial real estate sector, where opportunities that meet our underwriting standards exist. For more information regarding changes in the Company's loan portfolio, see "Analysis of Financial Condition – Interest Earning Assets" and Note 4 "Loans" of the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K.

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during 2018, 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 $1.5 billion and $1.3 billion at December 31, 2018 and 2017, respectively.

The Company recorded net interest income of $964.9 million in 2018 compared to $832.1 million and $722.2 million in 2017 and 2016, respectively. The higher level of net interest income recorded in 2018 compared to 2017 resulted primarily from a $2.5 billion increase in average earning assets and a 18 basis point increase in the net interest margin in 2018.

Non-interest income totaled $356.2 million in 2018, increasing $36.6 million, or 11%, compared to 2017. The increase in non-interest income in 2018 compared to 2017 was primarily attributable to an increase in wealth management and mortgage banking revenues, higher operating lease income from growth in our leasing divisions and an increase on fees from customer interest rate swaps. This was partially offset by losses realized on investment securities, negative adjustments from foreign currency remeasurement, lower fees from covered call options and losses from investments in partnerships (see "Non-Interest Income" section later in this Item 7 for further detail).

Non-interest expense totaled $826.1 million in 2018, increasing $94.3 million, or 13%, compared to 2017. The increase compared to 2017 was primarily attributable to a $50.0 million increase in salaries and employee benefits, higher operating lease equipment depreciation, an increase in professional fees, and higher marketing expenses. The increase in salaries and employee benefits was, specifically, attributable to a $40.4 million increase in salaries resulting from annual salary increases and larger staffing as the Company grew, a $2.0 million increase in commissions and incentive compensation primarily attributable to the Company's incentive compensation programs, and a $7.5 million increase in employee benefits due to higher retirement savings plan costs.

As the Company continues to experience strong growth in its balance sheet, controlling operating expenses is a continued focus throughout the Company's various business units. Management monitors expense control from period to period throughout the Company and places an emphasis on the Company's net overhead ratio, which provides a measure of efficiency both on a consolidated basis and across business units. The Company's goal is to maintain a net overhead ratio below 1.50% on a consolidated basis.

Economic Environment

The economic environment in 2018 was characterized by rising interest rates and continued competition as banks have experienced improvements in their financial condition allowing them to be more active in the lending market. The Company has employed certain strategies to manage net income in the current rate environment, including those discussed below.

Net Interest Income

The Company has leveraged its internal loan pipeline and external growth opportunities to grow its earning assets base. The Company also continues its efforts to improve its funding mix. In 2018, the Company's net interest margin increased to 3.59% (3.61% on a fully tax-equivalent basis) as compared to 3.41% (3.44% on a fully tax-equivalent basis) in 2017 primarily as a result of rising interest rates. As a result of the growth in earning assets and increased net interest margin, the Company increased net interest income by $132.8 million in 2018 compared to 2017.

The Company has continued its practice of writing call options against certain U.S. Treasury and Agency securities to economically hedge the securities positions and receive fee income to compensate for net interest margin compression. In 2018, the Company recognized $3.5 million in fees on covered call options compared to $4.4 million in 2017.

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 $137.0 million in 2018 and $113.5 million in 2017, representing 10% of total net revenue in 2018 and 2017. 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") as the Company does not hedge this change in fair value. Mortgage originations totaled $4.0 billion and $3.7 billion in 2018 and 2017, respectively. In 2018 and 2017, approximately 75% of originations were mortgages associated with new home purchases, while 25% of originations were related to refinancing of mortgages. Assuming the housing market continues to improve and interest rates rise, we expect a higher percentage of originations to be attributed to new home purchases.

Non-Interest Expense

Management believes expense management is important 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 changing regulatory environment in which we operate as well as continued investment in technology. We have already experienced increases in compliance-related costs and compliance with the Dodd-Frank Act requires us to invest significant additional management attention and resources.

Credit Quality

The Company's credit quality metrics remained at historically low levels in 2018. 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 2018 provision for credit losses, excluding covered loans, totaled $34.8 million, compared to $30.0 million in 2017 and $34.8 million in 2016. Net charge-offs, excluding covered loans, increased to $19.7 million in 2018 (of which $8.8 million related to commercial and commercial real estate loans), compared to $15.0 million in 2017 (of which $5.3 million related to commercial and commercial real estate loans) and $16.9 million in 2016 (of which $5.3 million related to commercial and commercial real estate loans).

- The Company's allowance for loan losses increased to $152.8 million at December 31, 2018, reflecting an increase of $14.9 million, or 11%, when compared to 2017. At December 31, 2018, approximately $60.3 million, or 39%, of the allowance for loan losses was associated with commercial real estate loans and another $67.8 million, or 44%, was associated with commercial loans.

- The Company has significant exposure to commercial real estate. At December 31, 2018, $6.9 billion, or 29%, of our loan portfolio was commercial real estate, with approximately 87% located in our market area. The commercial real estate loan portfolio, excluding purchased credit impaired ("PCI") loans, was comprised of $902.3 million related to land and construction, $939.3 million related to office buildings loans, $892.5 million related to retail loans, $902.2 million related to industrial use, $976.6 million related to multi-family loans and $2.2 billion related to mixed use and other use types. In analyzing the commercial real estate market, the Company does not rely upon the assessment of broad market statistical data, in large part because the Company's market area is diverse and covers many communities, each of which is impacted differently by economic forces affecting the Company's general market area. As such, the extent of the decline in real estate valuations can vary meaningfully among the different types of commercial and other real estate loans made by the Company. The Company uses its multi-chartered structure and local management knowledge to analyze and manage the local market conditions at each of its banks. As of December 31, 2018, the Company had approximately $19.1 million of non-performing commercial real estate loans representing approximately 0.28% of the total commercial real estate loan portfolio.

- Total non-performing loans (loans on non-accrual status and loans more than 90 days past due and still accruing interest) were $113.2 million (of which $19.1 million, or 17%, was related to commercial real estate) at December 31, 2018, an increase of $23.1 million compared to December 31, 2017. Non-performing loans as a percentage of total loans were 0.48% at December 31, 2018 compared to 0.42% at December 31, 2017.

- The Company's other real estate owned decreased by $15.8 million, to $24.8 million during 2018, from $40.6 million at December 31, 2017. The decrease in other real estate owned is primarily a result of $19.4 million of OREO disposals and resolutions during 2018. The $24.8 million of other real estate owned as of December 31, 2018 was comprised of $19.9 million of commercial real estate property, $3.4 million of residential real estate property and $1.4 million of residential real estate development property.

During 2018, 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, 2018, approximately $66.1 million in loans had terms modified representing troubled debt restructurings ("TDRs"), with $33.3 million of these TDRs continuing in accruing status. See Note 5, "Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans," of the Consolidated Financial Statements presented under Item 8 of this Annual Report on Form 10-K for additional discussion of 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 $2.4 million and $3.0 million at December 31, 2018 and 2017, respectively.

Community Banking

Through our community banking franchise, we provide banking and financial services primarily to individuals, small to mid-sized businesses, local governmental units and institutional clients residing primarily in the local areas we service. Profitability of this franchise is primarily driven by our net interest income and margin, our funding mix and related costs, the level of non-performing loans and other real estate owned, the amount of mortgage banking revenue and our history of acquiring banking operations and establishing *de novo* 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 bolstered in recent years as the Company funded strong loan growth with a more desirable blend of funds.

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 an increase of $23.5 million in mortgage banking revenue in 2018 compared to 2017 as a result of higher origination volumes in 2018 and increased servicing fees. Mortgage originations totaled $4.0 billion and $3.7 billion in 2018 and 2017, respectively.

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

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 2018 and 2017 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 commercial 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 commercial insurance premium finance business is a competitive industry and yields on loans are influenced by the market rates offered by our competitors. The majority of loans originated by 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 for which investments, asset management and trust units receive a management fee for advisory, administrative and custodial services. As such, revenues are influenced by a rise or fall in the debt and equity markets and the resulting increase or decrease in the value of our client accounts on which our fees are based. The commissions received by the brokerage unit are not as directly influenced by the directionality of the debt and equity markets but rather the desire of our customers to engage in trading based on their particular situations and outlooks of the market or particular stocks and bonds. Profitability in the brokerage business is impacted by commissions which fluctuate over time.

Financial Regulatory Reform

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. 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. 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 the final implementing regulations under the Dodd-Frank Act that have not yet been adopted or become fully effective, any additional 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

Acquisition of CDEC

On December 14, 2018, the Company acquired Elektra, the parent company of CDEC. CDEC is a provider of Qualified Intermediary services (as defined by U.S. Treasury regulations) for taxpayers seeking to structure tax-deferred like-kind exchanges under Internal Revenue Code Section 1031. CDEC has successfully facilitated more than 8,000 like-kind exchanges in the past decade for taxpayers nationwide. 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.

Acquisition of certain assets and assumption of certain liabilities of AEB

On December 7, 2018, the Company completed its acquisition of certain assets and the assumption of certain liabilities of American Enterprise Bank (“AEB”). Through this asset acquisition, the Company acquired approximately $164.0 million in assets, including approximately $119.3 million in loans, and approximately $150.8 million in deposits.

Acquisition of Chicago Shore Corporation

On August 1, 2018, the Company completed its acquisition of Chicago Shore Corporation (“CSC”). CSC was the parent company of Delaware Place Bank. Delaware Place Bank was merged into the Company's wholly-owned subsidiary Wintrust Bank. In addition to one banking location in Chicago, Illinois, the Company acquired approximately $282.8 million in assets, including $152.7 million of loans, and assumed approximately $213.1 million in deposits.

Acquisition of iFreedom Direct Corporation DBA Veterans First Mortgage

On January 4, 2018, the Company acquired certain assets, including mortgage servicing rights, and assumed certain liabilities of the mortgage banking business of iFreedom Direct Corporation DBA Veterans First Mortgage ("Veterans First"), in a business combination.

Acquisition of American Homestead Mortgage, LLC

On February 14, 2017, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of American Homestead Mortgage, LLC ("AHM"), in a business combination. AHM is located in Montana's Flathead Valley.

Acquisition of First Community Financial Corporation

On November 18, 2016, the Company completed its acquisition of First Community Financial Corporation (“FCFC”). FCFC was the parent company of First Community Bank. First Community Bank was merged into the Company's wholly-owned subsidiary St. Charles Bank. In addition to two banking locations in Elgin, Illinois, the Company acquired approximately $187.3 million in assets, including $79.5 million of loans, and assumed approximately $150.3 million in deposits.

Acquisition of select performing loans and related relationships from an affiliate of GE Capital Franchise Finance

On August 19, 2016, the Company, through its wholly-owned subsidiary Lake Forest Bank, completed its acquisition of approximately $561.4 million in select performing loans and related relationships from an affiliate of GE Capital Franchise Finance, which were added to the Company's existing franchise finance portfolio. The loans are to franchise operators (primarily quick service restaurant concepts) in the Midwest and in the Western portion of the United States.

Acquisition of Generations Bancorp, Inc.

On March 31, 2016, the Company completed its acquisition of Generations Bancorp, Inc. (“Generations”). Generations was the parent company of Foundations Bank (“Foundations”). Foundations was merged into the Company's wholly-owned subsidiary Town Bank. In addition to a banking location in Pewaukee, Wisconsin, the Company acquired approximately $134.2 million in assets, including $67.4 million in loans, and assumed approximately $100.2 million in deposits.

Other Completed Transactions

Expiration of Common Stock Warrants

On December 19, 2018, the Company’s publicly traded warrants to purchase shares of the Company’s common stock expired. Warrants not exercised prior to this date totaling 409 warrant shares expired and became void, and the holders did not receive any shares of the Company’s common stock.

Termination of Loss Share Agreements

On October 16, 2017, the Company entered into agreements with the FDIC that terminated all existing loss share agreements with the FDIC. Under the terms of the agreements, the Company made a net payment of $15.2 million to the FDIC as consideration for the early termination of the loss share agreements. The Company recorded a pre-tax gain of approximately $0.4 million to write off the remaining loss share asset, relieve the claw-back liability and recognize the payment to the FDIC.

Mandatory Conversion of Series C Preferred Stock

On April 27, 2017, the Company caused a mandatory conversion of its remaining 124,184 shares of 5.00% Non-Cumulative Perpetual Convertible Preferred Stock, Series C (the "Series C Preferred Stock") (issued in March 2012) into 3,069,828 shares of the Company's common stock at a conversion rate of 24.72 shares of common stock per share of Series C Preferred Stock. Cash was paid in lieu of fractional shares for an amount considered insignificant.

Public Issuance of the Company's Common Stock

In June 2016, the Company issued through a public offering a total of 3,000,000 shares of its common stock. Net proceeds to the Company totaled approximately $152.9 million.

SUMMARY OF CRITICAL ACCOUNTING POLICIES

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 policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management views critical accounting policies to include the determination of the allowance for loan losses and the allowance for losses on lending-related commitments, loans acquired with evidence of credit quality deterioration since origination, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available.

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

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

Loans Acquired with Evidence of Credit Quality Deterioration since Origination

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

Estimations of Fair Value

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

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

Using a quantitative approach, the goodwill impairment analysis involves a two-step process. The first step is a comparison of the reporting unit's fair value to its carrying value. If the carrying value of a reporting unit was determined to have been higher than its fair value, the second step would have to be performed to measure the amount of impairment loss. The second step allocates the fair value to all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical purchase price allocation analysis that would calculate the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, the Company would record an impairment charge for the difference. 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, 2018, the Company had three reporting units: Community Banking, Specialty Finance and Wealth Management. Based on the Company's 2018 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.

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 such as the enactment of the Tax Act in December 2017 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.

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 167 offices at the end of 2018. FIRST Insurance Funding and Wintrust Life Finance have matured into separate divisions that generated, on a national basis, $7.1 billion in total premium finance receivables in 2018 within the United States. FIFC Canada, acquired in 2012, originated $749.4 million in Canadian commercial premium finance receivables in 2018. 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, 2018, totaled $343.2 million, or $5.86 per diluted common share, compared to $257.7 million, or $4.40 per diluted common share, in 2017, and $206.9 million, or $3.66 per diluted common share, in 2016. During 2018, net income increased by $85.5 million and earnings per diluted common share increased by $1.46. During 2017, net income increased by $50.8 million and earnings per diluted common share increased by $0.74. Net income increased in 2018 as compared to 2017 primarily as a result of an increase in net interest income driven by growth in earning assets and an improvement in net interest margin, lower income tax expenses primarily due to the reduction of the federal corporate income tax rate effective in 2018 as a result of the enactment of the Tax Cuts and Jobs Act on December 22, 2017 and an increase in mortgage banking revenue, partially offset by increased salary and employee benefits and higher advertising and marketing expense. Net income increased in 2017 as compared to 2016 primarily as a result of an increase in net interest income driven by growth in earning assets and improvement in net interest margin and an increase in operating lease income, partially offset by lower mortgage banking revenue and increased salary and employee benefits and operating lease equipment depreciation.

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 2018 totaled $964.9 million, up from $832.1 million in 2017 and $722.2 million in 2016, representing an increase of $132.8 million, or 16%, in 2018 and an increase of $109.9 million, or 15%, in 2017. 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 2018 and 2017. Average earning assets increased $2.5 billion, or 10%, in 2018 and $2.1 billion, or 9%, in 2017. Loans are the most significant component of the earning asset base as they earn interest at a higher rate than the other earning assets. Average loans, excluding covered loans, increased $2.0 billion, or 10%, in 2018 and $2.3

billion, or 12%, in 2017. Total average loans, excluding covered loans, as a percentage of total average earning assets were 84%, 85% and 82% in 2018, 2017 and 2016, respectively. The average yield on loans, excluding covered loans, was 4.66% in 2018, 4.19% in 2017 and 3.96% in 2016, reflecting an increase of 47 basis points in 2018 and an increase of 23 basis points in 2017. The higher loan yields in 2018 compared to 2017 is primarily a result of the rising interest rate environment. The average yield on liquidity management assets was 2.78% in 2018, 2.28% in 2017 and 2.08% in 2016, reflecting an increase of 50 basis points in 2018 and a increase of 20 basis points in 2017. The average rate paid on interest bearing deposits, the largest component of the Company's interest bearing liabilities, was 0.95% in 2018, 0.52% in 2017 and 0.40% in 2016, representing an increase of 43 basis points in 2018 and an increase of 12 basis points in 2017. The higher level of interest bearing deposits rates in 2018 compared to 2017 is primarily due to upward re-pricing of retail deposits as a result of rising interest rates. As a result of the above, net interest margin increased to 3.59% (3.61% on a fully tax-equivalent basis) in 2018 compared to 3.41% (3.44% on a fully tax-equivalent basis) in 2017.

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, 2018, 2017 and 2016. The yields and costs include loan origination fees and certain direct origination costs that are considered adjustments to yields. Interest income on non-accruing loans is reflected in the year that it is collected, to the extent it is not applied to principal. Such amounts are not material to net interest income or the net change in net interest income in any year. Non-accrual loans are included in the average balances. Net interest income and the related net interest margin have been adjusted to reflect tax-exempt income, such as interest on municipal securities and loans, on a tax-equivalent basis. This table should be referred to in conjunction with 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)	**2018**	2017	2016	**2018**	2017	2016	**2018**	2017	2016
Assets									
Interest bearing deposits with banks and cash equivalents	**$ 888,671**	$ 856,020	$ 829,845	**$ 17,091**	$ 9,254	$ 4,240	**1.92%**	1.08%	0.52%
Investment securities	**3,045,555**	2,590,260	2,611,909	**89,640**	67,028	65,668	**2.94**	2.59	2.51
FHLB and FRB stock	**101,681**	89,333	120,726	**5,331**	4,370	4,287	**5.24**	4.89	3.55
Total liquidity management assets (1) (6)	**$ 4,035,907**	$ 3,535,613	$ 3,562,480	**$ 112,062**	$ 80,652	$ 74,195	**2.78%**	2.28%	2.08%
Other earning assets (1) (2) (6)	**20,681**	25,951	28,992	**777**	662	931	**3.75**	2.55	3.21
Mortgage loans held-for-sale	**332,863**	319,147	418,256	**15,738**	12,332	14,953	**4.73**	3.86	3.58
Loans, net of unearned income (1) (3) (6)	**22,500,482**	20,469,799	18,210,005	**1,047,905**	858,058	722,741	**4.66**	4.19	3.96
Covered loans	**—**	40,665	102,948	**—**	2,251	5,589	**—**	5.54	5.43
Total earning assets (6)	**$ 26,889,933**	$ 24,391,175	$ 22,322,681	**$1,176,482**	$ 953,955	$ 818,409	**4.38%**	3.91%	3.67%
Allowance for loan and covered loan losses	**(148,342)**	(133,432)	(118,229)						
Cash and due from banks	**266,086**	239,638	248,507						
Other assets	**2,020,743**	1,872,321	1,839,272						
Total assets	**$ 29,028,420**	$ 26,369,702	$ 24,292,231						
Liabilities and Shareholders' Equity									
Deposits — interest bearing:									
NOW and interest bearing demand deposits	**$ 2,436,791**	$ 2,402,254	$ 2,438,052	**$ 9,773**	$ 5,027	$ 4,014	**0.40%**	0.21%	0.16%
Wealth management deposits	**2,356,145**	2,125,177	1,877,020	**27,839**	13,952	8,206	**1.18**	0.66	0.44
Money market accounts	**5,105,244**	4,482,137	4,343,332	**42,973**	12,588	9,254	**0.84**	0.28	0.21
Savings accounts	**2,684,661**	2,471,663	1,887,748	**11,444**	7,715	3,313	**0.43**	0.31	0.18
Time deposits	**4,872,590**	4,423,067	4,074,734	**74,524**	44,044	33,622	**1.53**	1.00	0.83
Total interest bearing deposits	**$ 17,455,431**	$ 15,904,298	$ 14,620,886	**$ 166,553**	$ 83,326	$ 58,409	**0.95%**	0.52%	0.40%
FHLB advances	**713,539**	380,412	653,529	**12,412**	8,798	10,886	**1.74**	2.31	1.67
Other borrowings	**289,615**	255,136	248,753	**8,599**	5,370	4,355	**2.97**	2.10	1.75
Subordinated notes	**139,140**	139,022	138,912	**7,121**	7,116	7,111	**5.12**	5.12	5.12
Junior subordinated notes	**253,566**	253,566	254,591	**11,222**	9,782	9,503	**4.37**	3.81	3.67
Total interest-bearing liabilities	**$ 18,851,291**	$ 16,932,434	$ 15,916,671	**$ 205,907**	$ 114,392	$ 90,264	**1.09%**	0.67%	0.57%
Non-interest bearing deposits	**6,545,251**	6,182,048	5,409,923						
Other liabilities	**533,138**	413,139	415,708						
Equity	**3,098,740**	2,842,081	2,549,929						
Total liabilities and shareholders' equity	**$ 29,028,420**	$ 26,369,702	$ 24,292,231						
Interest rate spread (4) (6)							**3.29%**	3.24%	3.10%
Less: Fully tax-equivalent adjustment				**$ (5,672)**	$ (7,487)	$ (5,952)	**(0.02)**	(0.03)	(0.02)
Net free funds/contribution (5)	**$ 8,038,642**	$ 7,458,741	$ 6,406,010				**0.32**	0.20	0.16
Net interest income/margin (6) (GAAP)				**$ 964,903**	$ 832,076	$ 722,193	**3.59%**	3.41%	3.24%
Fully tax-equivalent adjustment				**5,672**	7,487	5,952	**0.02**	0.03	0.02
Net interest income/margin (6) - FTE				**$ 970,575**	$ 839,563	$ 728,145	**3.61%**	3.44%	3.26%

(1) *Interest income on tax-advantaged loans, trading securities and investment securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate in effect as of the applicable period. The total adjustments for the years ended December 31, 2018, 2017 and 2016 were $5.7 million, $7.5 million and $6.0 million, respectively.*
(2) *Other earning assets include brokerage customer receivables and trading account securities.*
(3) *Loans, net of unearned income, include non-accrual loans.*
(4) *Interest rate spread is the difference between the yield earned on earning assets and the rate paid on interest-bearing liabilities.*
(5) *Net free funds is the difference between total average earning assets and total average interest-bearing liabilities. The estimated contribution to net interest margin from net free funds is calculated using the rate paid for total interest-bearing liabilities.*
(6) *See "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,					
	2018 Compared to 2017			2017 Compared to 2016		
(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 and cash equivalents	$ 7,457	$ 380	$ 7,837	$ 4,857	$ 157	$ 5,014
Investment securities	12,039	12,028	24,067	1,925	(648)	1,277
FHLB and FRB stock	328	633	961	1,373	(1,290)	83
Total liquidity management assets	$ 19,824	$ 13,041	$ 32,865	$ 8,155	$ (1,781)	$ 6,374
Other earning assets	268	(150)	118	(154)	(89)	(243)
Mortgage hold for sale	2,860	546	3,406	6,851	(3,445)	3,406
Loans, net of unearned income	100,551	89,653	190,204	36,503	91,309	127,812
Covered loans	(1,126)	(1,125)	(2,251)	108	(3,446)	(3,338)
Total interest income	$ 122,377	$ 101,965	$ 224,342	$ 51,463	$ 82,548	$ 134,011
Interest Expense:						
Deposits — interest bearing:						
NOW and interest bearing demand deposits	$ 3,671	$ 1,075	$ 4,746	$ 1,050	$ (37)	$ 1,013
Wealth management deposits	9,713	4,174	13,887	3,169	2,577	5,746
Money market accounts	28,537	1,848	30,385	3,075	259	3,334
Savings accounts	3,046	683	3,729	3,157	1,245	4,402
Time deposits	25,357	5,123	30,480	7,516	2,906	10,422
Total interest expense — deposits	$ 70,324	$ 12,903	$ 83,227	$ 17,967	$ 6,950	$ 24,917
FHLB advances	(2,590)	6,204	3,614	3,379	(5,467)	(2,088)
Other borrowings	1,673	1,556	3,229	911	104	1,015
Subordinated notes	—	5	5	—	5	5
Junior subordinated notes	1,440	—	1,440	342	(63)	279
Total interest expense	$ 70,847	$ 20,668	$ 91,515	$ 22,599	$ 1,529	$ 24,128
Net interest income (GAAP)	$ 51,530	81,297	132,827	$ 28,864	81,019	109,883
Fully tax-equivalent adjustment	$ (2,605)	$ 790	$ (1,815)	$ 1,265	$ 270	$ 1,535
Net interest income - FTE	$ 48,925	$ 82,087	$ 131,012	$ 30,129	$ 81,289	$ 111,418

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 2016 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 2018, 2017 and 2016:

	Years ended December 31,			2018 compared to 2017		2017 compared to 2016	
(Dollars in thousands)	**2018**	2017	2016	**$ Change**	**% Change**	$ Change	% Change
Brokerage	**$ 22,391**	$ 22,863	$ 25,519	**$ (472)**	**(2)%**	$ (2,656)	(10)%
Trust and asset management	**68,572**	58,903	50,499	**9,669**	**16**	8,404	17
Total wealth management	**$ 90,963**	$ 81,766	$ 76,018	**$ 9,197**	**11 %**	$ 5,748	8 %
Mortgage banking	**136,990**	113,472	128,743	**23,518**	**21**	(15,271)	(12)
Service charges on deposit accounts	**36,404**	34,513	31,210	**1,891**	**5**	3,303	11
(Losses) gains on investment securities, net	**(2,898)**	45	7,645	**(2,943)**	**NM**	(7,600)	(99)
Fees from covered call options	**3,519**	4,402	11,470	**(883)**	**(20)**	(7,068)	(62)
Trading gains (losses), net	**11**	(845)	91	**856**	**NM**	(936)	NM
Operating lease income, net	**38,451**	29,646	16,441	**8,805**	**30**	13,205	80
Other:							
Interest rate swap fees	**11,027**	7,379	12,024	**3,648**	**49**	(4,645)	(39)
BOLI	**4,982**	3,524	3,594	**1,458**	**41**	(70)	(2)
Administrative services	**4,625**	4,165	4,409	**460**	**11**	(244)	(6)
Gain on extinguishment of debt	**—**	—	3,588	—	—	(3,588)	(100)
Early pay-offs of capital leases	**601**	1,228	728	**(627)**	**(51)**	500	69
Miscellaneous	**31,475**	40,211	29,469	**(8,736)**	**(22)**	10,742	36
Total Other	**$ 52,710**	$ 56,507	$ 53,812	**$ (3,797)**	**(7)%**	$ 2,695	5 %
Total Non-Interest Income	**$ 356,150**	$ 319,506	$ 325,430	**$ 36,644**	**11 %**	$ (5,924)	(2)%

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.

Brokerage revenue is directly impacted by trading volumes. In 2018, brokerage revenue totaled $22.4 million, reflecting a decrease of $472,000, or 2%, compared to 2017. In 2017, brokerage revenue totaled $22.9 million, reflecting a decrease of $2.7 million, or 10%, compared to 2016. The decrease in brokerage revenue during 2018 compared to 2017 can be attributed to decreased customer trading activity.

Trust and asset management revenue totaled $68.6 million in 2018, an increase of $9.7 million, or 16%, compared to 2017. Trust and asset management revenue totaled $58.9 million in 2017, an increase of $8.4 million, or 17%, compared to 2016. Trust and asset management fees are based primarily on the market value of the assets under management or administration. Higher asset levels from new customers and new financial advisors along with market appreciation helped drive revenue growth in 2018 compared to 2017 and 2017 compared to 2016.

Mortgage banking revenue totaled $137.0 million in 2018, $113.5 million in 2017, and $128.7 million in 2016, reflecting an increase of $23.5 million, or 21%, in 2018, and a decrease of $15.3 million, or 12%, in 2017. Mortgage banking revenue includes revenue from activities related to originating, selling and servicing residential real estate loans for the secondary market. A main factor in the mortgage banking revenue recognized by the Company is the volume of mortgage loans originated or purchased for sale. Mortgage loans originated or purchased for sale were $4.0 billion in 2018 compared to $3.7 billion in 2017, and $4.4 billion in 2016. The increase in volume is the result of the Veterans First acquisition, which originated $694.2 million of volume, and increased correspondent originations from the Company's legacy business. This was partially offset by a decrease in retail originations from the Company's legacy business. Mortgage revenue is also impacted by changes in the fair value of MSRs as the Company does not hedge this change in fair value. The Company records MSRs at fair value on a recurring basis.

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

	Years Ended December 31,		
(Dollars in thousands)	**2018**	2017	2016
Retail originations	**$ 2,412,232**	$ 3,142,824	$ 4,020,788
Correspondent originations	**848,997**	549,261	365,551
Veterans First originations	**694,209**	—	—
(A) Total originations	**$ 3,955,438**	$ 3,692,085	$ 4,386,339
Purchases as a percentage of originations	**75%**	75%	58%
Refinances as a percentage of originations	**25**	25	42
Total	**100%**	**100%**	100%
Production Margin:			
(B) Production revenue [(1)]	**$ 92,250**	$ 90,458	$ 113,360
Production margin (B/A)	**2.33%**	2.45%	2.58%
Mortgage Servicing:			
(C) Loans serviced for others	**$ 6,545,870**	$ 2,929,133	$ 1,784,760
(D) MSRs, at fair value	**75,183**	33,676	19,103
Percentage of MSRs to loans serviced for others (D/C)	**1.15%**	1.15%	1.07%
Components of Mortgage Banking Revenue:			
Production revenue	**$ 92,250**	90,458	$ 113,360
MSR - current period capitalization	**33,071**	18,341	13,091
MSR - collection of expected cash flow - paydown [(2)]	**(1,910)**	—	—
MSR - collection of expected cash flow - payoffs	**(3,129)**	(2,595)	(2,325)
MSR - changes in fair value model assumptions	**(331)**	(1,173)	(755)
Servicing income	**15,268**	6,417	3,329
Other	**1,771**	2,024	2,043
Total mortgage banking revenue	**$ 136,990**	$ 113,472	$ 128,743

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

(2) *Change in MSR value due to collection of expected cash flows from paydowns and payoffs in 2017 and 2016 is combined and shown in total in the payoff line. The component detail is not available for 2017 or 2016.*

Service charges on deposit accounts totaled $36.4 million in 2018, $34.5 million in 2017 and $31.2 million in 2016, reflecting an increase of 5% in 2018 and 11% in 2017. The increase in recent years is primarily a result of higher account analysis fees on deposit accounts which have increased as a result of the Company's commercial banking initiative as well as additional service charges on deposit accounts from acquired institutions.

The Company recognized $2.9 million net losses in 2018, versus $45,000 and $7.6 million in net gains on investment securities in 2017 and 2016, respectively. The Company did not recognize any other-than-temporary impairment charges in 2018, 2017 and 2016.

Fees from covered call option transactions totaled $3.5 million in 2018, versus $4.4 million in 2017 and $11.5 million in 2016. The Company has typically written call options with terms of less than three months against certain U.S. Treasury and agency securities held in its portfolio for liquidity and other purposes. Management has effectively entered into these transactions with the goal of economically hedging security positions and enhancing its overall return on its investment portfolio by using fees generated from these options to compensate for net interest margin compression. These option transactions are designed to mitigate overall interest rate risk and to increase the total return associated with holding certain investment securities and do not qualify as hedges pursuant to accounting guidance. Fees from covered call options decreased primarily as a result of the market paying lower premiums in 2018 compared to 2017. There were no outstanding call option contracts at December 31, 2018, December 31, 2017 or December 31, 2016.

The Company recognized $11,000 of trading gains in 2018 compared to trading losses of $845,000 in 2017 and trading gains of $91,000 in 2016. 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 $38.5 million in 2018 compared to $29.6 million in 2017 and $16.4 million in 2016. The increase annually is primarily related to growth in business from the Company's leasing divisions.

Interest rate swap fee revenue totaled $11.0 million in 2018, $7.4 million in 2017 and $12.0 million in 2016. 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 2018 and 2017 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 $5.0 million in 2018, $3.5 million in 2017 and $3.6 million in 2016. 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 $147.9 million at December 31, 2018 and $145.9 million at December 31, 2017, and is included in other assets.

Administrative services revenue generated by Tricom was $4.6 million in 2018, $4.2 million in 2017 and $4.4 million in 2016. 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 $3.6 million net gain on extinguishment of debt in 2016 was the result of the extinguishment of $15.0 million of junior subordinated debentures that resulted in a $4.3 million gain, partially offset by a $717,000 loss as a result of the prepayment of $262.4 million of FHLB advances.

The Company realized gains of $601,000, $1.2 million and $728,000 in 2018, 2017 and 2016, 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 $31.5 million in 2018, $40.2 million in 2017 and $29.5 million in 2016. Miscellaneous income includes loan servicing fees, income from other investments, service charges and other fees. The decrease in miscellaneous other income for 2018 compared to 2017 primarily resulted from discontinued accretion recognized on loss-share assets due to the termination of the loss share agreements and negative foreign currency adjustment related to the company's Canadian subsidiary. The increase in miscellaneous other income for 2017 compared to 2016 primarily resulted from increased fee from loan syndications and higher accretion recognized on loss- share assets.

Non-Interest Expense

The following table presents non-interest expense by category for 2018, 2017 and 2016:

	Years ended December 31,			2018 compared to 2017		2017 compared to 2016	
(Dollars in thousands)	**2018**	2017	2016	**$ Change**	**% Change**	$ Change	% Change
Salaries and employee benefits:							
Salaries	**$ 266,563**	$ 226,151	$ 210,623	**$ 40,412**	**18%**	$ 15,528	7 %
Commissions and incentive compensation	**135,558**	133,511	128,390	**2,047**	**2**	5,121	4
Benefits	**77,956**	70,416	66,145	**7,540**	**11**	4,271	6
Total salaries and employee benefits	**$ 480,077**	$ 430,078	$ 405,158	**$ 49,999**	**12%**	$ 24,920	6 %
Equipment	**42,949**	38,358	37,055	**4,591**	**12**	1,303	4
Operating lease equipment depreciation	**29,305**	24,107	13,259	**5,198**	**22**	10,848	82
Occupancy, net	**57,814**	52,920	50,912	**4,894**	**9**	2,008	4
Data processing	**35,027**	31,495	28,776	**3,532**	**11**	2,719	9
Advertising and marketing	**41,140**	30,830	24,776	**10,310**	**33**	6,054	24
Professional fees	**32,306**	27,835	20,411	**4,471**	**16**	7,424	36
Amortization of other intangible assets	**4,571**	4,401	4,789	**170**	**4**	(388)	(8)
FDIC insurance	**17,209**	16,231	16,065	**978**	**6**	166	1
OREO expenses, net	**6,120**	3,593	5,187	**2,527**	**70**	(1,594)	(31)
Other:							
Commissions — 3rd party brokers	**4,264**	4,178	5,161	**86**	**2**	(983)	(19)
Postage	**8,685**	6,763	7,184	**1,922**	**28**	(421)	(6)
Miscellaneous	**66,621**	61,028	62,952	**5,593**	**9**	(1,924)	(3)
Total other	**$ 79,570**	$ 71,969	$ 75,297	**$ 7,601**	**11%**	$ (3,328)	(4)%
Total Non-Interest Expense	**$ 826,088**	$ 731,817	$ 681,685	**$ 94,271**	**13%**	$ 50,132	7 %

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 58% of the total in 2018 compared to 59% of the total in both 2017 and 2016. For the year ended December 31, 2018, salaries and employee benefits totaled $480.1 million and increased $50.0 million, or 12%, compared to 2017. This increase can be attributed to a $40.4 million increase in salaries resulting from annual salary increases and larger staffing as the Company grows and a $7.5 million increase in benefits due to higher payroll taxes and increased insurance benefits. For the year ended December 31, 2017, salaries and employee benefits totaled $430.1 million and increased $24.9 million, or 6%, compared to 2016. This increase can be attributed to a $15.5 million increase in salaries resulting from annual salary increases, and larger staffing as the Company grows, as well as a $5.1 million increase in commissions and incentive compensation primarily attributable to the Company's long term incentive program.

Equipment expense totaled $42.9 million in 2018, $38.4 million in 2017 and $37.1 million in 2016, reflecting an increase of 12% in 2018 and an increase of 4% in 2017. The increase in equipment expense in 2018 and 2017 was primarily related to increased software license fees and higher depreciation as a result of equipment purchases. Equipment expense includes furniture, equipment and computer software, depreciation and repairs and maintenance costs.

Operating lease equipment depreciation expense totaled $29.3 million in 2018, $24.1 million in 2017 and $13.3 million in 2016. The increases in 2018 compared to 2017 and 2017 compared to 2016 were primarily related to growth in business from the Company's leasing divisions.

Occupancy expense for the years 2018, 2017 and 2016 was $57.8 million, $52.9 million and $50.9 million, respectively, reflecting increases of 9% in 2018 and 4% in 2017. The increase in 2018 was primarily the result of higher maintenance and repairs and higher real estate taxes on owned properties. 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 $35.0 million in 2018, $31.5 million in 2017 and $28.8 million in 2016, representing an increase of 11% in 2018 and an increase of 9% in 2017. The amount of data processing expenses incurred fluctuates based on the overall growth of loan and deposit accounts as well as additional expenses recorded related to bank acquisition transactions. The increase in both periods was primarily due to continued growth in the Company during the period.

Advertising and marketing expenses totaled $41.1 million for 2018, $30.8 million for 2017 and $24.8 million for 2016. 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 2018 and 2017 was primarily due to expenses for community-related advertisements and sponsorships. The level of marketing expenditures depends on the type of marketing programs utilized which are determined based on the market area, targeted audience, competition and various other factors. Management continues to utilize mass market media promotions as well as targeted marketing programs in certain market areas. In 2018, 2017 and 2016, the Company incurred increased advertising and marketing costs to increase Wintrust's name recognition associated with the overall goal of becoming "Chicago's Bank" and "Wisconsin's Bank."

Professional fees totaled $32.3 million in 2018, $27.8 million in 2017 and $20.4 million in 2016. The increase in 2018 as compared to 2017 related primarily to higher legal fees related to acquisitions and increased lending related fees. The increase in 2017 as compared to 2016 related primarily to increased consulting fees related to continued investment in various areas of company including technology and enhanced customer experience as well as higher legal fees. Professional fees include legal, audit and tax fees, external loan review costs and regulatory exam assessments.

FDIC insurance totaled $17.2 million for 2018, $16.2 million for 2017 and $16.1 million for 2016. The increase in 2018 as compared to 2017 was primarily the result of an increased assessment base due to the Company's growth during that year.

OREO expense was $6.1 million in 2018, $3.6 million in 2017, and $5.2 million in 2016. The increase in 2018 compared to 2017 was primarily the result of negative valuation adjustments of OREO properties. OREO expenses include all costs associated with obtaining, maintaining and selling other real estate owned properties as well as valuation adjustments.

Miscellaneous non-interest expense increased $5.6 million, or 9%, in 2018 compared to 2017 and decreased $1.9 million, or 3%, in 2017 compared to 2016. 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 $117.0 million in 2018 compared to $132.3 million in 2017 and $125.0 million in 2016. The effective tax rates were 25.4% in 2018, 33.9% in 2017 and 37.7% in 2016. The lower effective tax rate for the year ended 2018 compared to the years ended 2017 and 2016 was primarily due to the reduction of the federal corporate income tax rate effective in 2018 as a result of the enactment of the Tax Act, which reduced the statutory federal income tax rate for corporations from 35% to 21% effective January 1, 2018. During the fourth quarter of 2017, the Company recorded a provisional tax benefit of $7.6 million related to the enactment of the Tax Act, and during the third quarter of 2018, the Company finalized the provisional amounts and recorded an additional net tax benefit of $1.2 million. The lower effective tax rate for the years ended 2018 and 2017 as compared to the year ended 2016 was also impacted by recording $3.9 million and $6.2 million of excess tax benefits in the years ended 2018 and 2017, respectively, related to the adoption of new accounting rules for income taxes attributed to share-based compensation that became effective on January 1, 2017. In years prior to 2017, these excess tax benefits on share-based compensation were recorded directly to the Company's shareholders' equity. Excess tax benefits are expected to be higher in the first quarter of each year when the majority of the Company's share-based awards vest, and will fluctuate throughout the year based on the Company's stock price and timing of employee stock option exercises and vesting of other share-based awards. 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, 2018 totaled $791.8 million as compared to $677.5 million for the same period in 2017, an increase of $114.4 million, or 17%, and the segment's net interest income in 2017 compared to 2016 increased $88.6 million or 15%. The increase both in 2018 compared to 2017 and in 2017 compared to 2016 was primarily attributable to growth in earning assets and higher net interest margin. The community banking segment's provision for credit losses totaled $28.6 million in 2018 compared to $27.1 million in 2017 and $30.9 million in 2016. The provision for credit losses increased in 2018 compared to 2017 due to higher impaired loans requiring a specific reserve and an increase in loans during 2018. The provision for credit losses decreased in 2017 compared to 2016 primarily as a result of improved credit quality metrics, partially offset by an increase in loans, excluding covered loans, during 2017. Non-interest income for the community banking segment increased $27.3 million, or 13%, in 2018 when compared to 2017 and decreased $19.1 million, or 8%, in 2017 when compared to 2016. The increase in 2018 compared to 2017 was primarily attributable to an increase in mortgage banking revenue and higher swap fee income. The decrease in 2017 compared to 2016 was primarily attributable to a decrease in mortgage banking revenue, lower gains realized on sales of investment securities and lower fees from covered call options. The community banking segment's net income for the year ended December 31, 2018 totaled $240.8 million, an increase of $66.0 million, compared to net income of $174.8 million in 2017. Net income for the year ended December 31, 2017 of $174.8 million was an increase of $30.2 million as compared to net income in 2016 of $144.7 million.

The specialty finance segment's net interest income totaled $137.0 million for the year ended December 31, 2018, compared to $118.3 million in the same period of 2017, an increase of $18.7 million, or 16%. The specialty finance segment's net interest income for the year ended December 31, 2017 increased $20.1 million, or 20%, from $98.2 million in 2016. The increase both in 2018 compared to 2017 and in 2017 compared to 2016 was primarily attributable to growth in average loans and higher yields on the premium finance receivables portfolios. The specialty finance segment's provision for credit losses totaled $6.2 million in 2018 compared to $2.7 million in 2017 and $3.2 million in 2016. The provision for credit losses increased in 2018 compared to 2017 and 2016 primarily due to higher net charge-offs in 2018. The specialty finance segment's non-interest income totaled $65.9 million for the year ended December 31, 2018 compared to $60.4 million in 2017 and $49.7 million in 2016. The increase in non-interest income in 2018 is primarily a result of higher originations and increased balances related to the premium finance portfolio and growth in business from the Company's leasing division. For 2018, our commercial premium finance operations, life insurance premium finance operations, leasing operations and accounts receivable finance operations accounted for 39%, 36%, 19% and 6%, respectively, of the total revenues of our specialty finance business. Net income of the specialty finance segment totaled $82.1 million, $65.7 million and $48.8 million for the years ended December 31, 2018, 2017 and 2016, respectively.

The wealth management segment reported net interest income of $17.5 million for 2018, $18.9 million for 2017 and $18.6 million for 2016. 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 $894.9 million, $992.0 million and $1.0 billion in 2018, 2017 and 2016, respectively. This segment recorded non-interest income of $91.9 million for 2018 as compared to $84.3 million for 2017 and $78.5 million for 2016. 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 $20.3 million for 2018 compared to $17.2 million for 2017 and $13.4 million for 2016.

ANALYSIS OF FINANCIAL CONDITION

Total assets were $31.2 billion at December 31, 2018, representing an increase of $3.3 billion, or 11.9%, when compared to December 31, 2017. Total funding, which includes deposits, all notes and advances, including secured borrowings and junior subordinated debentures, was $27.3 billion at December 31, 2018 and $24.4 billion at December 31, 2017. See Notes 3, 4, and 10 through 14 of the Consolidated Financial Statements in Item 8 for additional period-end detail on the Company's interest-earning assets and funding liabilities.

Interest-Earning Assets

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

	Years Ended December 31,					
	2018		2017		2016	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Mortgage loans held-for-sale	**$ 332,863**	**1%**	$ 319,147	1%	$ 418,255	2%
Loans:						
Commercial	**7,223,368**	**27**	6,241,253	26	5,268,454	24
Commercial real estate	**6,655,352**	**25**	6,363,002	26	5,835,480	26
Home equity	**602,258**	**2**	691,629	3	759,615	3
Residential real estate	**849,766**	**3**	763,863	3	647,421	3
Premium finance receivables	**7,035,390**	**26**	6,281,896	26	5,563,139	25
Other loans	**134,348**	**1**	128,156	1	135,897	1
Total loans, net of unearned income excluding covered loans (1)	**$ 22,500,482**	**84%**	$ 20,469,799	85%	$ 18,210,006	82%
Covered loans	**—**	**—**	40,665	—	102,948	—
Total average loans (1)	**$ 22,500,482**	**84%**	$ 20,510,464	85%	$ 18,312,954	82%
Liquidity management assets (2)	**$ 4,035,907**	**15%**	$ 3,535,613	14%	$ 3,562,480	16%
Other earning assets (3)	**20,681**	**—**	25,951	—	28,992	—
Total average earning assets	**$ 26,889,933**	**100%**	$ 24,391,175	100%	$ 22,322,681	100%
Total average assets	**$ 29,028,420**		$ 26,369,702		$ 24,292,231	
Total average earning assets to total average assets		**93%**		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 $2.5 billion, or 10%, in 2018 and $2.1 billion, or 9%, in 2017. Average earning assets comprised 93% of average total assets in 2018, and 92% in 2017 and 2016.

Loans. Average total loans, net of unearned income, totaled $22.5 billion and increased $2.0 billion, or 10%, in 2018 and $2.1 billion, or 11%, in 2017. Average commercial loans totaled $7.2 billion in 2018, and increased $982.1 million, or 16%, over the average balance in 2017, while average commercial real estate loans totaled $6.7 billion in 2018, increasing $292.4 million, or 5%, since 2017. From 2016 to 2017, average commercial loans increased $972.8 million, or 18%, while average commercial real estate loans increased by $527.5 million, or 9%. Combined, these categories comprised 62% and 61% of the average loan portfolio in 2018 and 2017, respectively. The growth realized in these categories for 2018 and 2017 is primarily attributable to increased business development efforts.

Home equity loans averaged $602.3 million in 2018, and decreased $89.4 million, or 13%, when compared to the average balance in 2017. Home equity loans averaged $691.6 million in 2017, and decreased $68.0 million, or 9%, when compared to the average balance in 2016. Unused commitments on home equity lines of credit totaled $807.9 million at December 31, 2018 and $826.5 million at December 31, 2017. 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 $849.8 million in 2018, and increased $85.9 million, or 11%, from the average balance in 2017. In 2017, residential real estate loans averaged $763.9 million, and increased $17.3 million, or 2%, from the average balance in 2016.

Average premium finance receivables totaled $7.0 billion in 2018, and accounted for 31% of the Company's average total loans. In 2018, average premium finance receivables increased $753.5 million, or 12%, compared to 2017. In 2017, average premium finance receivables increased $718.8 million, or 13%, from the average balance of $5.6 billion in 2016. The increase during 2018 and 2017 was the result of continued originations within the portfolio due to effective marketing and customer servicing. Approximately $7.9 billion of premium finance receivables were originated in 2018 compared to approximately $7.1 billion in 2017.

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

Covered loans averaged $40.7 million in 2017, and decreased $62.3 million, or 60%, when compared to 2016. Covered loans represented loans acquired through the nine FDIC-assisted transactions, all of which occurred prior to 2013. These loans were subject to loss sharing agreements with the FDIC. The FDIC agreed to reimburse the Company for 80% of losses incurred on the purchased loans, foreclosed real estate, and certain other assets. On October 16, 2017, the Company entered into agreements with the FDIC that terminated all existing loss share agreements with the FDIC. The Company will be solely responsible for all future charge-offs, recoveries, gains, losses and expenses related to the previously covered assets as the FDIC will no longer share in those amounts. See Note 7, "Business Combinations and Asset Acquisitions," for a discussion of these acquisitions, including the aggregation of these loans by risk characteristics when determining the initial and subsequent fair value.

Liquidity Management Assets. Funds that are not utilized for loan originations are used to purchase investment securities and short term money market investments, to sell as federal funds and to maintain in interest-bearing deposits with banks. Average liquidity management assets accounted for 15%, 14% and 16% of total average earning assets in 2018, 2017 and 2016, respectively. Average liquidity management assets increased $500.3 million in 2018 compared to 2017, and decreased $26.9 million in 2017 compared to 2016. The balances of these assets can fluctuate based on management's ongoing effort to manage liquidity and for asset liability management purposes.

Other earning assets. Other earning assets include brokerage customer receivables and trading account securities. In the normal course of business, 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.

Deposits and Other Funding Sources

Total deposits at December 31, 2018, were $26.1 billion, increasing $2.9 billion, or 13%, compared to the $23.2 billion at December 31, 2017. Average deposit balances in 2018 were $24.0 billion, reflecting an increase of $1.9 billion, or 9%, compared to the average balances in 2017. During 2017, average deposits increased $2.1 billion, or 10%, compared to the prior year.

The increase in year end and average deposits in 2018 over 2017 is primarily attributable to the acquisitions of CSC and AEB, additional incremental deposits generated subsequent to the acquisition of CDEC and the Company's additional deposits associated with the increased commercial lending relationships. Average non-interest bearing deposits increased $363.2 million, or 6% in

2018 compared to 2017, with period end balances ending at 25% of total deposits at December 31, 2018, compared to 29% at December 31, 2017.

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

	Years Ended December 31,					
	2018		2017		2016	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Non-interest bearing deposits	**$ 6,545,251**	**28%**	$ 6,182,048	28%	$ 5,409,923	27%
NOW and interest bearing demand deposits	**2,436,791**	**10**	2,402,254	11	2,438,051	12
Wealth management deposits	**2,356,145**	**10**	2,125,177	10	1,877,020	9
Money market accounts	**5,105,244**	**21**	4,482,137	20	4,343,332	23
Savings accounts	**2,684,661**	**11**	2,471,663	11	1,887,748	9
Time certificates of deposit	**4,872,590**	**20**	4,423,067	20	4,074,735	20
Total average deposits	**$ 24,000,682**	**100%**	$ 22,086,346	100%	$ 20,030,809	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.

The following table presents average deposit balances for each bank and the relative percentage of total consolidated average deposits held by each bank during each of the past three years:

	Years Ended December 31,					
	2018		2017		2016	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Wintrust Bank	**$ 4,549,385**	**19%**	$ 3,848,012	17%	$ 3,410,462	16%
Lake Forest Bank	**2,627,628**	**11**	2,494,951	11	2,242,961	11
Hinsdale Bank	**1,945,538**	**8**	1,761,825	8	1,646,559	8
Northbrook Bank	**1,835,242**	**8**	1,748,342	8	1,522,177	8
Town Bank	**1,675,926**	**7**	1,599,066	8	1,530,953	8
Barrington Bank	**1,552,299**	**6**	1,435,608	7	1,331,023	7
Wheaton Bank	**1,311,340**	**6**	1,183,185	5	1,077,386	5
Old Plank Trail Bank	**1,283,627**	**5**	1,215,786	6	1,119,326	6
Libertyville Bank	**1,244,853**	**5**	1,140,095	5	1,069,408	5
Village Bank	**1,234,009**	**5**	1,195,933	5	1,116,247	6
Beverly Bank	**1,070,510**	**4**	959,179	4	845,576	4
State Bank of the Lakes	**956,470**	**4**	882,684	4	823,940	4
St. Charles Bank	**941,276**	**4**	906,791	4	726,660	4
Schaumburg Bank	**925,259**	**4**	912,886	4	802,919	4
Crystal Lake Bank	**847,320**	**4**	802,003	4	765,212	4
Total deposits	**$ 24,000,682**	**100%**	$ 22,086,346	100%	$ 20,030,809	100%
Percentage increase from prior year		**9%**		10%		15%

Various acquisitions, are partially responsible for the deposit fluctuations from 2017 to 2018. These acquisitions are discussed in Note 7, "Business Combinations and Asset Acquisitions." The Company's continued overall growth during 2018 and 2017 also contributed to these deposit fluctuations.

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,					
	2018		2017		2016	
(Dollars in thousands)	**Average Balance**	**Percent of Total**	Average Balance	Percent of Total	Average Balance	Percent of Total
Federal Home Loan Bank advances	**$ 713,539**	**51%**	$ 380,412	37%	$ 653,529	50%
Subordinated notes	**139,140**	**10**	139,022	13	138,912	11
Notes payable	**67,176**	**5**	46,744	5	61,738	5
Short-term borrowings	**21,270**	**2**	38,756	4	41,852	3
Other	**48,333**	**3**	33,964	3	18,555	1
Secured borrowings	**152,836**	**11**	135,672	13	126,608	10
Total other borrowings	**289,615**	**21**	255,136	25	248,753	19
Junior subordinated debentures	**253,566**	**18**	253,566	25	254,591	20
Total other funding sources	**$ 1,395,860**	**100%**	$ 1,028,136	100%	$ 1,295,785	100%

Notes payable balances represent the balances on a $200.0 million loan agreement (“Credit Agreement”) with unaffiliated banks consisting of a $50.0 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. At December 31, 2018, the Company had a balance under the Term Facility of $144.5 million. 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. At December 31, 2018, the Company had no outstanding balance on the $50.0 million Revolving Credit Facility. In connection with the establishment of this loan agreement in 2018, all outstanding notes payable under a separate $150.0 million loan agreement with unaffiliated banks dated December 15, 2014 (as subsequently amended, the “Prior Credit Agreement”) were paid in full. The Prior Credit Agreement consisted of a term facility with an original outstanding balance of $75.0 million and a $75.0 million revolving credit facility. The Company had a balance under the term facility of the Prior Credit Agreement of $41.2 million at December 31, 2017. As of December 31, 2017, no balance was outstanding under the revolving credit facility of the Prior Credit Agreement .

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 $426.3 million at December 31, 2018 and $559.7 million at December 31, 2017. See Note 11, “Federal Home Loan Bank Advances,” to the Consolidated Financial Statements for further discussion of the terms of these advances.

The average balance of secured borrowings primarily represents a third party Canadian transaction (“Canadian Secured Borrowing”). Under the Canadian Secured Borrowing, in December 2014, the Company, through its subsidiary, FIFC Canada, sold an undivided co-ownership interest in all receivables owed to FIFC Canada 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, effectively 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, effectively 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. 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, 2018, the translated balance of the Canadian Secured Borrowing totaled $139.3 million with an interest rate of 2.936%. The remaining $11.8 million within secured borrowings at December 31, 2018 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.

At December 31, 2018 and 2017, subordinated notes totaled $139.2 million and $139.1 million, respectively. During 2014, the Company issued $140.0 million of subordinated notes receiving $139.1 million in net proceeds. The notes have a stated interest rate of 5.00% and mature in June 2024.

Short-term borrowings include securities sold under repurchase agreements and federal funds purchased. These borrowings totaled $50.6 million and $17.2 million at December 31, 2018 and 2017, 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 for further discussion of these borrowings.

The Company has $253.6 million of junior subordinated debentures outstanding as of December 31, 2018 and 2017. 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. In January 2016, the Company acquired $15.0 million of the $40.0 million of trust preferred securities issued by Wintrust Capital Trust VIII from a third-party investor. The purchase effectively extinguished $15.0 million of junior subordinated debentures related to Wintrust Capital Trust VIII and resulted in a $4.3 million gain from the early extinguishment of debt. See Note 14, "Junior Subordinated Debentures," of the Consolidated Financial Statements 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, 2018 include a fixed-rate promissory note issued by the Company in June 2017 ("Fixed-Rate Promissory Note") related to and secured by two office buildings owned by the Company. At December 31, 2018, the Fixed-Rate Promissory Note had a balance of $47.7 million. Under the Fixed-Rate Promissory Note, the Company will make monthly principal payments and pay interest at a fixed rate of 3.36% until maturity on June 30, 2022. Additionally, at December 31, 2017, other borrowings included non-recourse notes related to certain capital leases totaled $151,000. See Note 13, "Other Borrowings," to the Consolidated Financial Statements in Item 8 for further discussion of these borrowings.

Shareholders' Equity. Total shareholders' equity was $3.3 billion at December 31, 2018, an increase of $290.6 million from the December 31, 2017 total of $3.0 billion. The increase in 2018 was primarily a result of net income of $343.2 million, $15.3 million from the issuance of shares of the Company's common stock pursuant to various stock compensation plans, net of treasury shares and $13.5 million credited to surplus for stock-based compensation costs, partially offset by common stock dividends of $42.8 million and preferred stock dividends of $8.2 million, $20.1 million in net unrealized loss from investment securities, net of tax, $9.2 million of foreign currency translation adjustments, net of tax, and $850,000 of net unrealized gains on cash flow hedges, net of tax.

Changes in shareholders' equity from 2016 to 2017 were primarily a result of net income of $257.7 million in 2017, $27.8 million from the issuance of the Company's common stock pursuant to various stock compensation plans, net of treasury shares, $13.5 million in net unrealized gain from investment securities, net of tax, $12.9 million credited to surplus for stock-based compensation costs, $7.0 million of foreign currency translation adjustments, net of tax, $3.0 million of net unrealized gains on cash flow hedges, net of tax, partially offset by common stock dividends of $30.8 million and preferred stock dividends of $9.8 million.

LOAN PORTFOLIO AND ASSET QUALITY

Loan Portfolio

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

	2018		2017		2016		2015		2014	
(Dollars in thousands)	**Amount**	**% of Total**	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial	**$ 7,828,538**	**33%**	$ 6,787,677	31%	$ 6,005,422	30%	$ 4,713,909	27%	$ 3,924,394	26%
Commercial real estate	**6,933,252**	**29**	6,580,618	30	6,196,087	31	5,529,289	32	4,505,753	31
Home equity	**552,343**	**2**	663,045	3	725,793	4	784,675	5	716,293	5
Residential real estate	**1,002,464**	**4**	832,120	4	705,221	4	607,451	3	483,542	3
Premium finance receivables—commercial	**2,841,659**	**12**	2,634,565	12	2,478,581	12	2,374,921	14	2,350,833	16
Premium finance receivables—life insurance	**4,541,794**	**19**	4,035,059	19	3,470,027	18	2,961,496	17	2,277,571	16
Consumer and other	**120,641**	**1**	107,713	1	122,041	1	146,376	1	151,012	1
Total loans, net of unearned income, excluding covered loans	**$ 23,820,691**	**100%**	$ 21,640,797	100%	$ 19,703,172	100%	$ 17,118,117	99%	$ 14,409,398	98%
Covered loans	**—**	**—**	—	—	58,145	—	148,673	1	226,709	2
Total loans	**$ 23,820,691**	**100%**	$ 21,640,797	100%	$ 19,761,317	100%	$ 17,266,790	100%	$ 14,636,107	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, 2018 and 2017:

	As of December 31, 2018			As of December 31, 2017		
(Dollars in thousands)	Balance	% of Total Balance	Allowance For Loan Losses Allocation	Balance	% of Total Balance	Allowance For Loan Losses Allocation
Commercial:						
Commercial, industrial and other	$ 5,120,096	34.6%	$ 46,586	$ 4,342,505	32.5%	$ 39,901
Franchise	948,979	6.4	8,919	847,597	6.3	6,451
Mortgage warehouse lines of credit	144,199	1.0	1,162	194,523	1.5	1,454
Asset-based lending	1,026,056	7.0	9,138	980,466	7.3	8,236
Leases	565,680	3.8	1,502	413,172	3.1	1,242
PCI - commercial loans (1)	23,528	0.2	519	9,414	0.1	527
Total commercial	**$ 7,828,538**	**53.0%**	**$ 67,826**	**$ 6,787,677**	**50.8%**	**$ 57,811**
Commercial Real Estate:						
Construction	$ 760,824	5.2%	$ 8,999	$ 745,514	5.6%	$ 8,728
Land	141,481	1.0	3,953	126,484	0.9	3,838
Office	939,322	6.4	6,239	894,833	6.7	5,736
Industrial	902,248	6.1	6,088	883,019	6.6	5,767
Retail	892,478	6.0	9,338	951,527	7.1	7,389
Multi-family	976,560	6.6	9,395	915,644	6.8	9,509
Mixed use and other	2,205,195	14.9	16,210	1,935,705	14.5	13,879
PCI - commercial real estate (1)	115,144	0.8	45	127,892	1.0	381
Total commercial real estate	**$ 6,933,252**	**47.0%**	**$ 60,267**	**$ 6,580,618**	**49.2%**	**$ 55,227**
Total commercial and commercial real estate	**$ 14,761,790**	**100.0%**	**$ 128,093**	**$ 13,368,295**	**100.0%**	**$ 113,038**
Commercial real estate—collateral location by state:						
Illinois	$ 5,336,454	77.0%		$ 5,128,434	78.0%	
Wisconsin	684,425	9.9		712,835	10.8	
Total primary markets	**$ 6,020,879**	**86.9%**		$ 5,841,269	88.8%	
Indiana	169,817	2.4		138,316	2.1	
Florida	52,237	0.8		69,427	1.1	
Arizona	61,893	0.9		58,594	0.9	
Michigan	40,110	0.6		47,167	0.7	
California	68,133	1.0		68,478	1.0	
Other (no individual state greater than 0.7%)	520,183	7.4		357,367	5.4	
Total	**$ 6,933,252**	**100.0%**		$ 6,580,618	100.0%	

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

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. 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 commercial portfolio in 2018 and higher required specific reserves on impaired loans within the portfolio, our allowance for loan losses in our commercial loan portfolio is $67.8 million as of December 31, 2018 compared to $57.8 million as of December 31, 2017.

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, 86.9% of our commercial real estate loan portfolio is located in this region as of December 31, 2018. We have been able to effectively manage our total non-performing commercial real estate loans. As of December 31, 2018, our allowance for loan losses related to this portfolio is $60.3 million compared to $55.2 million as of December 31, 2017.

The Company also participates in mortgage warehouse lending 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. During 2018, our mortgage warehouse lines decreased to $144.2 million as of December 31, 2018 from $194.5 million as of December 31, 2017.

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 predominantly includes one- to four-family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals and bridge financing loans for qualifying customers. As of December 31, 2018, our residential loan portfolio totaled $1.0 billion, or 4% of our total outstanding loans.

Our adjustable rate mortgages relate to properties located principally in the Chicago metropolitan area and southern Wisconsin or vacation homes owned by local residents. These 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, 2018, $16.4 million of our residential real estate mortgages, or 1.6% of our residential real estate loan portfolio were classified as nonaccrual, $1.3 million were 90 or more days past due and still accruing (0.1%), $7.9 million were 30 to 89 days past due (0.8%) and $976.9 million were current (97.5%). 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.

While we generally do not originate loans for our own portfolio with long-term fixed rates due to interest rate risk considerations, we can accommodate customer requests for fixed rate loans by originating such loans and then selling them into the secondary market, 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, 2018 and 2017 was $6.5 billion and $2.9 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 buy back 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 repurchase 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, regardless of whether the Company intends to exercise the repurchase option. These 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 $82.5 million at December 31, 2018, compared to $3.3 million at December 31, 2017.

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, 2018 approximately $1.3 million of our mortgage loans consist of interest-only loans.

Premium finance receivables — commercial. FIRST Insurance Funding and FIFC Canada originated approximately $6.8 billion in commercial insurance premium finance receivables during 2018 as compared to approximately $6.1 billion in 2017. FIRST Insurance Funding and FIFC Canada make loans to businesses to finance the insurance premiums they pay on their commercial 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 $1.0 billion in life insurance premium finance receivables in 2018 as compared to $968.4 million in 2017. The Company continues to experience increased 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 as well as high yielding short-term accounts receivable financing to clients in the temporary staffing industry located throughout the United States. 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. Additionally, short-term accounts receivable financing may also involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral.

Covered loans. Covered loans represented loans acquired through eight FDIC-assisted transactions, all of which occurred prior to 2013. These loans were subject to loss sharing agreements with the FDIC. The FDIC agreed to reimburse the Company for 80% of losses incurred on the purchased loans, foreclosed real estate, and certain other assets. On October 16, 2017, the Company entered into agreements with the FDIC that terminated all existing loss share agreements with the FDIC. Starting on October 16, 2017, the Company is solely responsible for all charge-offs, recoveries, gains, losses and expenses related to the previously covered assets as the FDIC no longer shares in those amounts. See Note 7, "Business Combinations and Asset Acquisitions," of the Consolidated Financial Statements presented under Item 8 of this report for further discussion of these acquisitions, including the aggregation of these loans by risk characteristics when determining the initial and subsequent fair value.

Foreign. The Company had approximately $337.1 million of loans to businesses with operations in foreign countries as of December 31, 2018 compared to $318.9 million at December 31, 2017. This balance as of December 31, 2018 consists of loans originated by FIFC Canada.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table classifies the loan portfolio, excluding covered loans, at December 31, 2018 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	Over five years	Total
Commercial				
Fixed rate	$ 154,368	$ 1,105,414	$ 665,595	$ 1,925,377
Variable rate	5,896,481	6,531	149	5,903,161
Total commercial	$ 6,050,849	$ 1,111,945	$ 665,744	$ 7,828,538
Commercial real estate				
Fixed rate	$ 369,120	$ 1,930,892	$ 315,343	$ 2,615,355
Variable rate	4,288,293	29,455	149	4,317,897
Total commercial real estate	$ 4,657,413	$ 1,960,347	$ 315,492	$ 6,933,252
Home equity				
Fixed rate	$ 11,712	$ 15,125	$ 18,543	$ 45,380
Variable rate	506,963	—	—	506,963
Total home equity	$ 518,675	$ 15,125	$ 18,543	$ 552,343
Residential real estate				
Fixed rate	$ 30,724	$ 22,568	$ 229,433	$ 282,725
Variable rate	55,329	303,383	361,027	719,739
Total residential real estate	$ 86,053	$ 325,951	$ 590,460	$ 1,002,464
Premium finance receivables - commercial				
Fixed rate	$ 2,762,211	$ 79,448	$ —	$ 2,841,659
Variable rate	—	—	—	—
Total premium finance receivables - commercial	$ 2,762,211	$ 79,448	$ —	$ 2,841,659
Premium finance receivables - life insurance				
Fixed rate	$ 15,303	$ 10,977	$ 3,690	$ 29,970
Variable rate	4,511,824	—	—	4,511,824
Total premium finance receivables - life insurance	$ 4,527,127	$ 10,977	$ 3,690	$ 4,541,794
Consumer and other				
Fixed rate	$ 75,263	$ 10,312	$ 2,176	$ 87,751
Variable rate	32,848	42	—	32,890
Total consumer and other	$ 108,111	$ 10,354	$ 2,176	$ 120,641
Total per category				
Fixed rate	$ 3,418,701	$ 3,174,736	$ 1,234,780	$ 7,828,217
Variable rate	15,291,738	339,411	361,325	15,992,474
Total loans, net of unearned income, excluding covered loans	$ 18,710,439	$ 3,514,147	$ 1,596,105	$ 23,820,691
Variable Rate Loan Pricing by Index:				
Prime	$ 2,480,764			
One- month LIBOR	8,076,230			
Three- month LIBOR	458,994			
Twelve- month LIBOR	4,741,121			
Other	235,365			
Total variable rate	$ 15,992,474			

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)
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.)

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. A third party loan review firm independently reviews a significant portion of the loan portfolio at each of the Company's subsidiary banks 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, the OCC, the State of Illinois, and the State of Wisconsin and are also reviewed by our 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 or an impairment reserve may be established. The Company's impairment analysis utilizes an independent re-appraisal of the collateral (unless such a third-party evaluation is not possible due to the unique nature of the collateral, such as a closely-held business or thinly traded securities). In the case of commercial real-estate collateral, an independent third party appraisal is ordered by the Company's Real Estate Services Group to determine if there has been any change in the underlying collateral value. These independent appraisals are reviewed by the Real Estate Services Group and sometimes by independent third party valuation experts and may be adjusted depending upon market conditions. An appraisal is ordered at least once a year for these loans, or more often if market conditions dictate. In the event that the underlying value of the collateral cannot be easily determined, a detailed valuation methodology is prepared by the Managed Asset Division. A summary of this analysis is provided to the directors' loan committee of the bank which originated the credit for approval of a charge-off, if necessary.

Through the credit risk rating process, loans are reviewed to determine if they are performing in accordance with the original contractual terms. If the borrower has failed to comply with the original contractual terms, further action may be required by the Company, including a downgrade in the credit risk rating, movement to non-accrual status, a charge-off or the establishment of a specific impairment reserve. In the event a collateral shortfall is identified during the credit review process, the Company will work with the borrower for a principal reduction and/or a pledge of additional collateral and/or additional guarantees. In the event that these options are not available, the loan may be subject to a downgrade of the credit risk rating. If we determine that a loan amount, or portion thereof, is uncollectible the loan's credit risk rating is immediately downgraded to an 8 or 9 and the uncollectible amount is charged-off. Any loan that has a partial charge-off continues to be assigned a credit risk rating of an 8 or 9 for the duration of time that a balance remains outstanding. The Managed Asset Division 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.

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, which are by definition considered impaired loans, are reviewed at the time of modification and on a quarterly basis to determine if a specific reserve is needed. 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 less the estimated cost to sell. Any shortfall is recorded as a specific 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 considered impaired and a specific impairment reserve analysis is performed and, if necessary, a specific 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, excluding covered assets

The following table sets forth the Company's non-performing assets and TDRs performing under the contractual terms of the loan agreement, excluding covered assets and PCI loans, as of the dates shown:

(Dollars in thousands)	2018	2017 [3]	2016	2015	2014
Loans past due greater than 90 days and still accruing [1]:					
Commercial	$ —	$ —	$ 174	$ 541	$ 474
Commercial real estate	—	—	—	—	—
Home equity	—	—	—	—	—
Residential real estate	—	3,278	—	—	—
Premium finance receivables – commercial	7,799	9,242	7,962	10,294	7,665
Premium finance receivables – life insurance	—	—	3,717	—	—
Consumer and other	109	40	144	150	119
Total loans past due greater than 90 days and still accruing	$ 7,908	$ 12,560	$ 11,997	$ 10,985	$ 8,258
Non-accrual loans [2]:					
Commercial	50,984	15,696	15,875	12,712	9,157
Commercial real estate	19,129	22,048	21,924	26,645	26,605
Home equity	7,147	8,978	9,761	6,848	6,174
Residential real estate	16,383	17,977	12,749	12,043	15,502
Premium finance receivables – commercial	11,335	12,163	14,709	14,561	12,705
Premium finance receivables – life insurance	—	—	—	—	—
Consumer and other	348	740	439	263	277
Total non-accrual loans	$ 105,326	$ 77,602	$ 75,457	$ 73,072	$ 70,420
Total non-performing loans:					
Commercial	$ 50,984	$ 15,696	$ 16,049	$ 13,253	$ 9,631
Commercial real estate	19,129	22,048	21,924	26,645	26,605
Home equity	7,147	8,978	9,761	6,848	6,174
Residential real estate	16,383	21,255	12,749	12,043	15,502
Premium finance receivables – commercial	19,134	21,405	22,671	24,855	20,370
Premium finance receivables – life insurance	—	—	3,717	—	—
Consumer and other	457	780	583	413	395
Total non-performing loans	$ 113,234	$ 90,162	$ 87,454	$ 84,057	$ 78,677
Other real estate owned	11,968	20,244	17,699	26,849	36,419
Other real estate owned – from acquisitions	12,852	20,402	22,583	17,096	9,223
Other repossessed assets	280	153	581	174	303
Total non-performing assets	$ 138,334	$ 130,961	$ 128,317	$ 128,176	$ 124,622
TDRs performing under the contractual terms of the loan agreement	$ 33,281	$ 39,683	$ 29,911	$ 42,744	$ 69,697
Total non-performing loans by category as a percent of its own respective category's period-end balance:					
Commercial	0.65%	0.23%	0.27%	0.28%	0.25%
Commercial real estate	0.28	0.34	0.35	0.48	0.59
Home equity	1.29	1.35	1.34	0.87	0.86
Residential real estate	1.63	2.55	1.81	1.98	3.21
Premium finance receivables – commercial	0.67	0.81	0.91	1.05	0.87
Premium finance receivables – life insurance	—	—	0.11	—	—
Consumer and other	0.38	0.72	0.48	0.28	0.26
Total non-performing loans	0.48%	0.42%	0.44%	0.49%	0.55%
Total non-performing assets, as a percentage of total assets	0.44%	0.47%	0.50%	0.56%	0.62%
Allowance for loan losses as a percentage of total non-performing loans	134.92%	152.95%	139.83%	125.39%	116.56%

(1) *As of the dates shown, no TDRs were past due greater than 90 days and still accruing interest.*

(2) *Non-accrual loans included TDRs totaling $32.8 million, $10.1 million, $11.8 million, $9.1 million and $12.6 million as of the years ended 2018, 2017, 2016, 2015 and 2014, respectively.*

(3) *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.*

Loan Portfolio Aging

The following table shows, as of December 31, 2018, only 0.5% of the entire portfolio is in a non-performing loan status (non-accrual or greater than 90 days past due and still accruing interest) with only 0.7% either one or two payments past due. In total, 98.8% of the Company's total loan portfolio as of December 31, 2018 is current according to the original contractual terms of the loan agreements.

The tables below show the aging of the Company's loan portfolio at December 31, 2018 and 2017:

As of December 31, 2018 (Dollars 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	$ 34,298	$ —	$ 1,451	$ 21,618	$ 5,062,729	$ 5,120,096
Franchise	16,051	—	—	8,738	924,190	948,979
Mortgage warehouse lines of credit	—	—	—	—	144,199	144,199
Asset-based lending	635	—	200	3,156	1,022,065	1,026,056
Leases	—	—	—	1,250	564,430	565,680
PCI - commercial (1)	—	3,313	—	99	20,116	23,528
Total commercial	$ 50,984	$ 3,313	$ 1,651	$ 34,861	$ 7,737,729	$ 7,828,538
Commercial real-estate:						
Construction	1,554	—	—	9,424	749,846	760,824
Land	107	—	170	107	141,097	141,481
Office	3,629	—	877	5,077	929,739	939,322
Industrial	285	—	—	16,596	885,367	902,248
Retail	10,753	—	1,890	1,729	878,106	892,478
Multi-family	311	—	77	5,575	970,597	976,560
Mixed use and other	2,490	—	1,617	8,983	2,192,105	2,205,195
PCI - commercial real-estate (1)	—	6,241	6,195	4,075	98,633	115,144
Total commercial real-estate	$ 19,129	$ 6,241	$ 10,826	$ 51,566	$ 6,845,490	$ 6,933,252
Home equity	7,147	—	131	3,105	541,960	552,343
Residential real estate, including PCI	16,383	1,292	1,692	6,171	976,926	1,002,464
Premium finance receivables						
Commercial insurance loans	11,335	7,799	11,382	15,085	2,796,058	2,841,659
Life insurance loans	—	—	8,407	24,628	4,340,856	4,373,891
PCI - life insurance loans (1)	—	—	—	—	167,903	167,903
Consumer and other	348	227	87	733	119,246	120,641
Total loans, net of unearned income	$ 105,326	$ 18,872	$ 34,176	$ 136,149	$ 23,526,168	$ 23,820,691

As of December 31, 2018	Non-accrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Aging as a % of Loan Balance:						
Commercial						
Commercial, industrial and other	0.7%	—%	—%	0.4%	98.9%	100.0%
Franchise	1.7	—	—	0.9	97.4	100.0
Mortgage warehouse lines of credit	—	—	—	—	100.0	100.0
Asset-based lending	0.1	—	—	0.3	99.6	100.0
Leases	—	—	—	0.2	99.8	100.0
PCI - commercial (1)	—	14.1	—	0.4	85.5	100.0
Total commercial	0.7%	—%	—%	0.4%	98.9%	100.0%
Commercial real estate:						
Construction	0.2	—	—	1.2	98.6	100.0
Land	0.1	—	0.1	0.1	99.7	100.0
Office	0.4	—	0.1	0.5	99.0	100.0
Industrial	—	—	—	1.8	98.1	100.0
Retail	1.2	—	0.2	0.2	98.4	100.0
Multi-family	—	—	—	0.6	99.4	100.0
Mixed use and other	0.1	—	0.1	0.4	99.4	100.0
PCI - commercial real-estate (1)	—	5.4	5.4	3.5	85.7	100.0
Total commercial real-estate	0.3%	0.1%	0.2%	0.7%	98.7%	100.0%
Home equity	1.3	—	—	0.6	98.1	100.0
Residential real estate, including PCI	1.6	0.1	0.2	0.6	97.5	100.0
Premium finance receivables						
Commercial insurance loans	0.4	0.3	0.4	0.5	98.4	100.0
Life insurance loans	—	—	0.2	0.5	99.3	100.0
PCI - life insurance loans (1)	—	—	—	—	100.0	100.0
Consumer and other	0.3	0.2	0.1	0.6	98.8	100.0
Total loans, net of unearned income	0.4%	0.1%	0.1%	0.6%	98.8%	100.0%

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

As of December 31, 2017 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial, industrial and other	$ 11,260	$ —	$ 3,746	$ 13,392	$ 4,314,107	$ 4,342,505
Franchise	2,447	—	—	—	845,150	847,597
Mortgage warehouse lines of credit	—	—	—	4,000	190,523	194,523
Asset-based lending	1,550	—	283	10,057	968,576	980,466
Leases	439	—	3	1,958	410,772	413,172
PCI - commercial (1)	—	877	186	—	8,351	9,414
Total commercial	$ 15,696	$ 877	$ 4,218	$ 29,407	$ 6,737,479	$ 6,787,677
Commercial real-estate:						
Construction	$ 3,143	$ —	$ —	$ 200	$ 742,171	$ 745,514
Land	188	—	—	5,156	121,140	126,484
Office	2,438	—	—	4,458	887,937	894,833
Industrial	811	—	—	2,412	879,796	883,019
Retail	12,328	—	668	148	938,383	951,527
Multi-family	—	—	—	1,034	914,610	915,644
Mixed use and other	3,140	—	1,423	9,641	1,921,501	1,935,705
PCI - commercial real-estate (1)	—	7,135	2,255	6,277	112,225	127,892
Total commercial real-estate	$ 22,048	$ 7,135	$ 4,346	$ 29,326	$ 6,517,763	$ 6,580,618
Home equity	8,978	—	518	4,634	648,915	663,045
Residential real estate, including PCI	17,977	5,304	1,303	8,378	799,158	832,120
Premium finance receivables						
Commercial insurance loans	12,163	9,242	17,796	15,849	2,579,515	2,634,565
Life insurance loans	—	—	4,837	10,017	3,820,936	3,835,790
PCI - life insurance loans (1)	—	—	—	—	199,269	199,269
Consumer and other	740	101	242	727	105,903	107,713
Total loans, net of unearned income	$ 77,602	$ 22,659	$ 33,260	$ 98,338	$ 21,408,938	$ 21,640,797

As of December 31, 2017	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Aging as a % of Loan Balance:						
Commercial						
Commercial, industrial and other	0.3%	—%	0.1%	0.3%	99.3%	100.0%
Franchise	0.3	—	—	—	99.7	100.0
Mortgage warehouse lines of credit	—	—	—	2.1	97.9	100.0
Asset-based lending	0.2	—	—	1.0	98.8	100.0
Leases	0.1	—	—	0.5	99.4	100.0
PCI - commercial (1)	—	9.3	2.0	—	88.7	100.0
Total commercial	0.2%	—%	0.1%	0.4%	99.3%	100.0%
Commercial real-estate						
Construction	0.4	—	—	—	99.6	100.0
Land	0.1	—	—	4.1	95.8	100.0
Office	0.3	—	—	0.5	99.2	100.0
Industrial	0.1	—	—	0.3	99.6	100.0
Retail	1.3	—	0.1	—	98.6	100.0
Multi-family	—	—	—	0.1	99.9	100.0
Mixed use and other	0.2	—	0.1	0.5	99.2	100.0
PCI - commercial real-estate (1)	—	5.6	1.8	4.9	87.7	100.0
Total commercial real-estate	0.3%	0.1%	0.1%	0.4%	99.1%	100.0%
Home equity	1.4	—	0.1	0.7	97.8	100.0
Residential real estate, including PCI	2.2	0.6	0.2	1.0	96.0	100.0
Premium finance receivables						
Commercial insurance loans	0.5	0.4	0.7	0.6	97.8	100.0
Life insurance loans	—	—	0.1	0.3	99.6	100.0
PCI - life insurance loans (1)	—	—	—	—	100.0	100.0
Consumer and other	0.7	0.1	0.2	0.7	98.3	100.0
Total loans, net of unearned income	0.4%	0.1%	0.2%	0.5%	98.8%	100.0%

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

As of December 31, 2018, only $34.2 million of all loans, or 0.1%, were 60 to 89 days past due and $136.1 million, or 0.6%, were 30 to 59 days (or one payment) past due. As of December 31, 2017, $33.3 million of all loans, or 0.2%, were 60 to 89 days past due and $98.3 million, or 0.5%, 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, 2018 that are current with regard to the contractual terms of the loan agreement represent 98.1% of the total home equity portfolio. Residential real estate loans, including PCI loans, at December 31, 2018 that are current with regards to the contractual terms of the loan agreements comprise 97.5% of these residential real estate loans outstanding.

Non-performing Loans Rollforward

The table below presents a summary of non-performing loans, excluding covered loans and PCI loans, for the periods presented:

(Dollars in thousands)		**2018**		2017
Balance at beginning of period	**$**	**90,162**	$	87,454
Additions, net from non-covered portfolio		**92,428**		55,738
Additions, net from covered non-performing loans subsequent to loss share expiration		**—**		2,572
Return to performing status		**(14,449)**		(3,596)
Payments received		**(29,807)**		(27,202)
Transfers to OREO and other repossessed assets		**(7,138)**		(9,236)
Charge-offs		**(15,792)**		(10,362)
Net change for niche loans [(1)]		**(2,170)**		(5,206)
Balance at end of period	**$**	**113,234**	$	90,162

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

PCI loans are excluded from non-performing loans as they continue to earn interest income from the related accretable yield, independent of performance with contractual terms of the loan. See Note 5, "Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans," of the Consolidated Financial Statements in Item 8 for further discussion of non-performing loans and the loan aging during the respective periods.

Allowance for Loan Losses

The allowance for loan losses represents management's estimate of the probable and reasonably estimable loan losses that are inherent in the loan portfolio. The allowance for loan 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. This process is subject to review at each of our bank subsidiaries by the applicable regulatory authority, including the FRB of Chicago, the OCC, the State of Illinois and the State of Wisconsin.

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

(Dollars in thousands)	**December 31, 2018** Amount	**December 31, 2018** % of Loan Type to Total Loans	December 31, 2017 Amount	December 31, 2017 % of Loan Type to Total Loans	December 31, 2016 Amount	December 31, 2016 % of Loan Type to Total Loans	December 31, 2015 Amount	December 31, 2015 % of Loan Type to Total Loans	December 31, 2014 Amount	December 31, 2014 % of Loan Type to Total Loans
Allowance for loan losses and allowance for covered loan losses allocation:										
Commercial	**$ 67,826**	**33%**	$ 57,811	31%	$ 44,493	30%	$ 36,135	27%	$ 31,699	26%
Commercial real-estate	**60,267**	**29**	55,227	30	51,422	31	43,758	32	35,533	31
Home equity	**8,507**	**2**	10,493	3	11,774	4	12,012	5	12,500	5
Residential real-estate	**7,194**	**4**	6,688	4	5,714	4	4,734	3	4,218	3
Premium finance receivables – commercial	**6,144**	**12**	5,356	12	6,125	12	6,016	14	5,726	16
Premium finance receivables – life insurance	**1,571**	**19**	1,490	19	1,500	18	1,217	17	787	16
Consumer and other	**1,261**	**1**	840	1	1,263	1	1,528	1	1,242	1
Total allowance for loan losses	**$152,770**	**100%**	$ 137,905	100%	$ 122,291	100%	$ 105,400	99%	$ 91,705	98%
Covered loans	**—**	**—**	—	—	1,322	—	3,026	1	2,131	2
Total allowance for loan losses and allowance for covered loan losses	**$152,770**	**100%**	$ 137,905	100%	$ 123,613	100%	$ 108,426	100%	$ 93,836	100%
Allowance category as a percent of total allowance for loan losses and allowance for covered loan losses:										
Commercial	**44%**		42%		36%		33%		34%	
Commercial real-estate	**39**		40		42		40		38	
Home equity	**6**		7		9		11		13	
Residential real-estate	**5**		5		5		4		4	
Premium finance receivables—commercial	**4**		4		5		6		6	
Premium finance receivables—life insurance	**1**		1		1		1		1	
Consumer and other	**1**		1		1		2		2	
Total allowance for loan losses	**100%**		100%		99%		97%		98%	
Covered loans	**—**		—		1		3		2	
Total allowance for loan losses	**100%**		100%		100%		100%		100%	
Allowance for losses on lending-related commitments:										
Commercial and commercial real estate	**$ 1,394**		$ 1,269		$ 1,673		$ 949		$ 775	
Total allowance for credit losses including allowance for covered loan losses	**$154,164**		$ 139,174		$ 125,286		$ 109,375		$ 94,611	

Management determined that the allowance for loan losses was appropriate at December 31, 2018, 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. The relative level of allowance for credit losses is reviewed and compared to industry peers. This review encompasses the levels of total nonperforming loans, portfolio mix, portfolio concentrations, current geographic risks and overall levels of net charge-offs. Historical trending of both the Company's results and the industry peers is also reviewed to analyze comparative significance.

Allowance for Credit Losses, Excluding Covered Loans

The following tables summarize the activity in our allowance for credit losses during the last five fiscal years.

(Dollars in thousands)	**2018**	2017	2016	2015	2014
Allowance for loan losses at beginning of year	**$ 137,905**	$ 122,291	$ 105,400	$ 91,705	$ 96,922
Provision for credit losses	**34,832**	29,982	34,790	33,747	22,889
Other adjustments (1)	**(181)**	573	(291)	(737)	(824)
Reclassification from (to) allowance for unfunded lending-related commitments	**(126)**	69	(725)	(138)	(56)
Charge-offs:					
Commercial	**14,532**	5,159	7,915	4,253	4,153
Commercial real estate	**1,395**	4,236	1,930	6,543	15,788
Home equity	**2,245**	3,952	3,998	4,227	3,895
Residential real estate	**1,355**	1,284	1,730	2,903	1,750
Premium finance receivables – commercial	**12,228**	7,335	8,193	7,060	5,722
Premium finance receivables – life insurance	**—**	—	—	—	4
Consumer and other	**880**	729	925	521	792
Total charge-offs	**$ 32,635**	$ 22,695	$ 24,691	$ 25,507	$ 32,104
Recoveries:					
Commercial	**1,457**	1,870	1,594	1,432	1,198
Commercial real estate	**5,631**	2,190	2,945	2,840	1,334
Home equity	**541**	746	484	312	535
Residential real estate	**2,075**	452	225	283	335
Premium finance receivables – commercial	**3,069**	2,128	2,374	1,288	1,139
Premium finance receivables – life insurance	**—**	—	—	16	11
Consumer and other	**202**	299	186	159	326
Total recoveries	**$ 12,975**	$ 7,685	$ 7,808	$ 6,330	$ 4,878
Net charge-offs, excluding covered loans	**$ (19,660)**	$ (15,010)	$ (16,883)	$ (19,177)	$ (27,226)
Allowance for loan losses at year end	**$ 152,770**	$ 137,905	$ 122,291	$ 105,400	$ 91,705
Allowance for unfunded lending-related commitments at year end	**$ 1,394**	$ 1,269	$ 1,673	$ 949	$ 775
Allowance for credit losses at year end	**$ 154,164**	$ 139,174	$ 123,964	$ 106,349	$ 92,480
Net charge-offs (recoveries) by category as a percentage of its own respective category's average:					
Commercial	**0.18%**	0.05%	0.12%	0.07%	0.08%
Commercial real estate	**(0.06)**	0.03	(0.02)	0.07	0.33
Home equity	**0.28**	0.46	0.46	0.52	0.47
Residential real estate	**(0.08)**	0.11	0.23	0.49	0.31
Premium finance receivables – commercial	**0.33**	0.20	0.24	0.24	0.19
Premium finance receivables – life insurance	**0.00**	0.00	0.00	0.00	0.00
Consumer and other	**0.50**	0.34	0.54	0.23	0.28
Total loans, net of unearned income, excluding covered loans	**0.09%**	0.07%	0.09%	0.12%	0.20%
Net charge-offs as a percentage of the provision for credit losses	**56.44%**	50.06%	48.53%	56.83%	118.94%
Year-end total loans (excluding covered loans)	**$ 23,820,691**	$ 21,640,797	$ 19,703,172	$ 17,118,117	$ 14,409,398
Allowance for loan losses as a percentage of loans at end of year	**0.64%**	0.64%	0.62%	0.62%	0.64%
Allowance for credit losses as a percentage of loans at end of year	**0.65%**	0.64%	0.63%	0.62%	0.64%

(1) *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.*

The allowance for credit losses, excluding the allowance for covered loan losses, is comprised of an allowance for loan losses, which is determined with respect to loans that we have originated, and an allowance for lending-related commitments. Our allowance for lending-related commitments 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 $1.4 million as of December 31, 2018 compared to $1.3 million as of December 31, 2017.

Additions to the allowance for loan 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 loan losses, and recoveries represent the amount of collections received from loans that had previously been charged off, and are credited to the allowance for loan losses. See Note 5, "Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans," of the Consolidated Financial Statements presented under Item 8 of this report for further discussion of activity within the allowance for loan losses during the period and the relationship with respective loan balances for each loan category and the total loan portfolio, excluding covered loans.

How We Determine the Allowance for Credit Losses

The allowance for loan losses includes an element for estimated probable but undetected losses and for imprecision in the credit risk models used to calculate the allowance. If the loan is impaired, the Company analyzes the loan for purposes of calculating our specific impairment reserves as part of the Problem Loan Reporting system review. A general reserve is separately determined for loans not considered impaired. See Note 5, "Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans," of the Consolidated Financial Statements presented under Item 8 of this report for further discussion of the specific impairment reserve and general reserve as it relates to the allowance for credit losses for each loan category and the total loan portfolio, excluding covered loans.

Specific Impairment Reserves:

Loans with a credit risk rating of a 6 through 9 are reviewed 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 (impaired loan). If a loan is impaired, 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 less the estimated cost to sell. Any shortfall is recorded as a specific impairment reserve.

At December 31, 2018, the Company had $127.3 million of impaired loans with $60.2 million of this balance requiring $11.4 million of specific impairment reserves. At December 31, 2017, the Company had $105.1 million of impaired loans with $36.1 million of this balance requiring $8.0 million of specific impairment reserves. The most significant fluctuation in impaired loans requiring specific impairment reserves from 2017 to 2018 occurred within the commercial, industrial and other and commercial franchise portfolios. The recorded investment and specific impairment reserves in commercial, industrial and other portfolio increased by $10.5 million and $915,000, respectively, which was primarily the result of one relationship becoming non-performing during the period and requiring additional reserves. The recorded investment and specific impairment reserves in the commercial franchise portfolio increased by $16.0 million and $1.4 million, respectively, due to one relationship requiring $1.6 million of specific impairment reserves starting in 2018.

See Note 5, "Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans," of the Consolidated Financial Statements presented under Item 8 of this report for further discussion of impaired loans and the related specific impairment reserve.

General Reserves:

For loans with a credit risk rating of 1 through 7 that are not considered impaired loans, reserves are established based on the type of loan collateral, if any, and the assigned credit risk rating. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on the average historical loss experience over an eight-year period, and consideration of current environmental factors and economic trends, all of which may be susceptible to significant change.

We determine this component of the allowance for loan losses by classifying each loan into (i) categories based on the type of collateral that secures the loan (if any), and (ii) one of ten categories based on the credit risk rating of the loan, as described above under "Past Due Loans and Non-Performing Assets" in this Item 7. Each combination of collateral and credit risk rating is then assigned a specific loss factor that incorporates the following factors:

- historical loss experience;
- changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off, and recovery practices not considered elsewhere in estimating credit losses;
- changes in national, regional, and local economic and business conditions and developments that affect the collectability of the portfolio;
- changes in the nature and volume of the portfolio and in the terms of the loans;
- changes in the experience, ability, and depth of lending management and other relevant staff;
- changes in the volume and severity of past due loans, the volume of non-accrual loans, and the volume and severity of adversely classified or graded loans;
- changes in the quality of the bank's loan review system;
- changes in the underlying collateral for collateral dependent loans;
- the existence and effect of any concentrations of credit, and changes in the level of such concentrations; and
- the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the bank's existing portfolio.

In 2018, the Company modified its historical loss experience analysis by incorporating eight-year average loss rate assumptions for its historical loss experience to capture an extended credit cycle. The current eight-year average loss rate assumption analysis is computed for each of the Company's collateral codes. The historical loss experience is combined with the specific loss factor for each combination of collateral and credit risk rating which is then applied to each individual loan balance to determine an appropriate general reserve. The historical loss rates are updated on a quarterly basis and are driven by the performance of the portfolio and any changes to the specific loss factors are driven by management judgment and analysis of the factors described above. The Company also analyzes the three-, four-, five-, six- and seven-year average historical loss rates on a quarterly basis as a comparison.

Home Equity and Residential Real Estate Loans

The determination of the appropriate allowance for loan losses for residential real estate and home equity loans differs slightly from the process used for commercial and commercial real estate loans. The same credit risk rating system, Problem Loan Reporting system, collateral coding methodology and loss factor assignment 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 loan losses for premium finance receivables is based on the assigned credit risk rating of loans in the portfolio. Loss factors are assigned to each risk rating in order to calculate an allowance for loan losses. The allowance for loan losses for these categories is entirely a general reserve.

Methodology in Assessing Impairment and Charge-off Amounts

In determining the amount of impairment 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 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 and the ability of the borrower to provide value related to those guarantees in determining the ultimate charge-off or reserve associated with any impaired 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 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 loan 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 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, 2018, the Company had $66.1 million in loans classified as TDRs. The $66.1 million in TDRs represents 134 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 increased from $49.8 million representing 80 credits at December 31, 2017.

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 Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans,” 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 reviewed for impairment at December 31, 2018 and approximately $2.1 million of impairment was present and appropriately reserved for through the Company’s normal reserving methodology in the Company’s allowance for loan losses. Additionally, the Company was committed to lend additional funds to borrowers totaling $0.9 million and $1.8 million at December 31, 2018 and 2017, respectively, under the contractual terms related to TDRs.

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

(Dollars in thousands)	**December 31, 2018**	December 31, 2017
Accruing TDRs:		
Commercial	**$ 8,545**	$ 19,917
Commercial real estate	**13,895**	16,160
Residential real estate and other	**10,841**	3,606
Total accruing TDRs	**$ 33,281**	$ 39,683
Non-accrual TDRs: [1]		
Commercial	**$ 27,774**	$ 4,000
Commercial real estate	**1,552**	1,340
Residential real estate and other	**3,495**	4,763
Total non-accrual TDRs	**$ 32,821**	$ 10,103
Total TDRs:		
Commercial	**$ 36,319**	$ 23,917
Commercial real estate	**15,447**	17,500
Residential real estate and other	**14,336**	8,369
Total TDRs	**$ 66,102**	$ 49,786
Weighted-average contractual interest rate of TDRs	**5.54%**	4.40%

(1) Included in total non-performing loans.

TDR Rollforward

The table below presents a summary of TDRs as of December 31, 2018, 2017 and 2016, and shows the changes in the balance during those periods:

Year Ended December 31, 2018 (Dollars in thousands)	**Commercial**	**Commercial Real Estate**	**Residential Real Estate and Other**	**Total**
Balance at beginning of period	**$ 23,917**	**$ 17,500**	**$ 8,369**	**$ 49,786**
Additions during the period	**18,967**	**514**	**9,762**	**29,243**
Reductions:				
Charge-offs	**(2,385)**	**(2)**	**(468)**	**(2,855)**
Transferred to OREO and other repossessed assets	**(37)**	**(119)**	**—**	**(156)**
Removal of TDR loan status (1)	**(654)**	**(631)**	**—**	**(1,285)**
Payments received	**(3,489)**	**(1,815)**	**(3,327)**	**(8,631)**
Balance at period end	**$ 36,319**	**$ 15,447**	**$ 14,336**	**$ 66,102**

Year Ended December 31, 2017 (Dollars in thousands)	Commercial	Commercial Real Estate	Residential Real Estate and Other	Total
Balance at beginning of period	$ 6,130	$ 28,146	$ 7,432	$ 41,708
Additions during the period	20,031	1,245	3,049	24,325
Reductions:				
Charge-offs	(454)	(1,024)	(156)	(1,634)
Transferred to OREO and other repossessed assets	—	(770)	(165)	(935)
Removal of TDR loan status (1)	(610)	(2,331)	—	(2,941)
Payments received	(1,180)	(7,766)	(1,791)	(10,737)
Balance at period end	$ 23,917	$ 17,500	$ 8,369	$ 49,786

Year Ended December 31, 2016 (Dollars in thousands)	Commercial	Commercial Real Estate	Residential Real Estate and Other	Total
Balance at beginning of period	$ 5,747	$ 38,707	$ 7,399	$ 51,853
Additions during the period	3,294	8,521	1,082	12,897
Reductions:				
Charge-offs	(1,482)	(1,051)	(212)	(2,745)
Transferred to OREO and other repossessed assets	—	(1,433)	(535)	(1,968)
Removal of TDR loan status (1)	—	(7,816)	—	(7,816)
Payments received	(1,429)	(8,782)	(302)	(10,513)
Balance at period end	$ 6,130	$ 28,146	$ 7,432	$ 41,708

(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." Accordingly, at the periods presented in this Annual Report on Form 10-K, the Company has no potential problem loans as defined by SEC regulations.

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, 2018, except for loans included in the specialty finance operating segment, which are diversified throughout the United States and Canada.

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, excluding covered other real estate owned, and shows the activity for the respective periods and the balance for each property type:

	Year Ended	
(Dollars in thousands)	December 31, 2018	December 31, 2017
Balance at beginning of period	**$ 40,646**	$ 40,282
Disposal/resolved	**(19,375)**	(15,412)
Transfers in at fair value, less costs to sell	**7,936**	13,864
Transfers in from covered OREO subsequent to loss share expiration	**—**	3,611
Additions from acquisition	**1,578**	—
Fair value adjustments	**(5,965)**	(1,699)
Balance at end of period	**$ 24,820**	$ 40,646

	Period End	
(Dollars in thousands)	December 31, 2018	December 31, 2017
Residential real estate	**$ 3,446**	$ 7,515
Residential real estate development	**1,426**	2,221
Commercial real estate	**19,948**	30,910
Total	**$ 24,820**	$ 40,646

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, 2018, as well as certain ratios relating to the Company's equity and assets as of December 31, 2018, 2017 and 2016:

	Minimum Ratios	Minimum Ratio + Capital Conservation Buffer (1)	Minimum Well Capitalized Ratios (2)	2018	2017	2016
Common Equity Tier 1 capital to risk-weighted assets	4.5%	6.38%	N/A	**9.3%**	9.4%	8.6%
Tier 1 capital to risk-weighted assets	6.0	7.88	6.0	**9.7**	9.9	9.7
Total capital to risk-weighted assets	8.0	9.88	10.0	**11.6**	12.0	11.9
Tier 1 leverage ratio	4.0	N/A	N/A	**9.1**	9.3	8.9
Total average equity to total average assets	N/A	N/A	N/A	**10.7**	10.8	10.5
Dividend payout ratio	N/A	N/A	N/A	**13.0**	12.7	13.1

(1) Reflects the Capital Conservation Buffer of 1.875% applicable during 2018. The Company already meets the Capital Conservation Buffer at the fully phased-in level 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, 2018 would exceed such revised well-capitalized standard.

As reflected in the table, each of the Company's capital ratios at December 31, 2018, exceeded the well-capitalized ratios established by the Federal Reserve. Refer to Note 19 of the Consolidated Financial Statements 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 22 of 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 2016, the Company issued through a public offering a total of 3,000,000 shares of its common stock. Net proceeds to the Company totaled approximately $152.9 million.

In June 2015, the Company issued and sold 5,000,000 shares of the Series D Preferred Stock, with a liquidation preference of $25 per share for $125.0 million in a public offering. Dividends on the Series D Preferred Stock are payable quarterly in arrears when, as and if declared by the Board at a rate of 6.50% per annum on the original liquidation preference of $25 per share from the original issuance date to, but excluding, July 15, 2025. From (and including) July 15, 2025, dividends on the Series D Preferred Stock will be payable quarterly in arrears, when, as and if declared by the Board, at a floating rate equal to the then-applicable three-month LIBOR (as defined in the Certificate of Designations) plus a spread of 4.06% per annum. The dividend rate of such floating rate 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."

The Series C Preferred Stock was convertible into common stock at the option of the holder subject to customary anti-dilution adjustments. In 2016, 30 shares of the Series C Preferred Stock were converted at the option of the respective holders into 729 shares of the Company's common stock. In 2015, 180 shares of the Series C Preferred Stock were converted at the option of the respective holders into 4,374 shares of the Company's common stock. On April 25, 2017, 2,073 shares of the Series C Preferred Stock were converted at the option of the respective holder into 51,244 shares of the Company's common stock. On April 27, 2017, the Company caused a mandatory conversion of its remaining 124,184 shares of Series C Preferred Stock into 3,069,828 shares of the Company's common stock at a conversion rate of 24.72 shares of common stock per share of Series C Preferred Stock. Cash was paid in lieu of fractional shares for an amount considered insignificant.

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 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 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 2018, Wintrust declared a quarterly cash dividend of $0.19 per common share. In January, April, July and October of 2017, Wintrust declared a quarterly cash dividend of $0.14 per common share. In January, April, July and October of 2016, Wintrust declared a quarterly cash dividend of $0.12 per common share. In January of 2019, Wintrust declared a quarterly cash dividend of $0.25 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 2018, 2017 and 2016, the subsidiaries paid dividends to Wintrust totaling $111.0 million, $122.0 million, and $59.0 million, respectively. At January 1, 2019, subject to minimum capital requirements at the banks, approximately $350.4 million was available as dividends from the banks without prior regulatory approval and without compromising the banks' well-capitalized positions.

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 certain banks are eligible to borrow at the FRB Discount Window, another source of liquidity.

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)	**2018**	2017	2016	2015	2014
Total deposits	**$ 26,094,678**	23,183,347	21,658,632	18,639,634	16,281,844
Brokered Deposits (1)	**1,071,562**	1,445,306	1,159,475	862,026	718,986
Brokered deposits as a percentage of total deposits (1)	**4.1%**	6.2%	5.4%	4.6%	4.4%

(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, 2018 and 2017, the banks had approximately $1.7 billion and $1.6 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, COMMITMENTS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ARRANGEMENTS

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

Contractual Obligations. The following table presents, as of December 31, 2018, significant fixed and determinable contractual obligations to third parties by payment date. Further discussion of the nature of each obligation is included in the referenced note to the Consolidated Financial Statements in Item 8:

		Payments Due in				
(Dollars in thousands)	Note Reference	One year or less	From one to three years	From three to five years	Over five years	Total
Deposits	10	$ 24,046,847	1,962,282	85,542	7	26,094,678
FHLB advances (1)	11	1,991	9,335	315,000	100,000	426,326
Subordinated notes	12	—	—	—	139,210	139,210
Other borrowings	13	212,972	53,190	127,098	595	393,855
Junior subordinated debentures	14	—	—	—	253,566	253,566
Operating leases	16	15,106	31,522	27,454	131,615	205,697
Purchase obligations (2)		34,382	36,607	28,427	80,923	180,339
Total		$ 24,311,298	2,092,936	583,521	705,916	27,693,671

(1) Certain advances provide the FHLB with call dates which are not reflected in the above table.

(2) Purchase obligations presented above primarily relate to certain contractual cash obligations for pending acquisitions, marketing obligations and services related to the construction of facilities, data processing and the outsourcing of certain operational activities.

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. Because the derivative assets and liabilities recorded on the balance sheet at December 31, 2018 do not represent the amounts that may ultimately be paid under these contracts, these assets and liabilities are not included in the table of contractual obligations presented above.

Commitments.

The following table presents a summary of the amounts and expected maturities of significant commitments as of December 31, 2018. Further information on these commitments is included in Note 20 of the Consolidated Financial Statements in Item 8.

(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	$ 2,330,710	1,516,789	613,090	263,529	4,724,118
Residential real estate	389,681	—	—	—	389,681
Revolving home equity lines of credit	807,889	—	—	—	807,889
Letters of credit	192,911	23,200	16,874	353	233,338
Commitments to sell mortgage loans	481,567	—	—	—	481,567

Our remaining commitment to fund community investments totaled $13.6 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, 2018, the liability for estimated losses on repurchase and indemnification was $2.4 million and was included in other liabilities on the balance sheet.

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 would take appropriate actions 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, 2018 and December 31, 2017 is as follows:

Static Shock Scenarios	+200 Basis Points	+100 Basis Points	-100 Basis Points	-200 Basis Points
December 31, 2018	**15.6%**	**7.9%**	**(8.6)%**	**(20.4)%**
December 31, 2017	17.7	9.0	(11.8)	(23.2)

Ramp Scenarios	+200 Basis Points	+100 Basis Points	-100 Basis Points	-200 Basis Points
December 31, 2018	**7.4%**	**3.8%**	**(3.6)%**	**(8.5)%**
December 31, 2017	8.9	4.6	(5.1)	(12.0)

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 and floors, 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," of the Financial Statements presented under Item 8 of this Annual Report on Form 10-K for further information on the Company's derivative financial instruments.

During 2018 and 2017, 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 mitigate this risk, the Company may acquire fixed rate term debt or use other financial derivative instruments. There were no covered call options outstanding as of December 31, 2018 or 2017.

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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, 2018, 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 28, 2019 expressed an unqualified opinion thereon.

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.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 1999.

Chicago, Illinois
February 28, 2019

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands)	December 31, 2018	2017
Assets		
Cash and due from banks	**$ 392,142**	$ 277,534
Federal funds sold and securities purchased under resale agreements	**58**	57
Interest bearing deposits with banks	**1,099,594**	1,063,242
Available-for-sale securities, at fair value	**2,126,081**	1,803,666
Held-to-maturity securities, at amortized cost ($1.0 billion and $812.5 million fair value at December 31, 2018 and 2017, respectively)	**1,067,439**	826,449
Trading account securities	**1,692**	995
Equity securities with readily determinable fair value	**34,717**	—
Federal Home Loan Bank and Federal Reserve Bank stock	**91,354**	89,989
Brokerage customer receivables	**12,609**	26,431
Mortgage loans held-for-sale	**264,070**	313,592
Loans, net of unearned income	**23,820,691**	21,640,797
Allowance for loan losses	**(152,770)**	(137,905)
Net loans	**23,667,921**	21,502,892
Premises and equipment, net	**671,169**	621,895
Lease investments, net	**233,208**	212,335
Accrued interest receivable and other assets	**696,707**	567,374
Trade date securities receivable	**263,523**	90,014
Goodwill	**573,141**	501,884
Other intangible assets	**49,424**	17,621
Total assets	**$ 31,244,849**	$ 27,915,970
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	**$ 6,569,880**	$ 6,792,497
Interest bearing	**19,524,798**	16,390,850
Total deposits	**26,094,678**	23,183,347
Federal Home Loan Bank advances	**426,326**	559,663
Other borrowings	**393,855**	266,123
Subordinated notes	**139,210**	139,088
Junior subordinated debentures	**253,566**	253,566
Accrued interest payable and other liabilities	**669,644**	537,244
Total liabilities	**27,977,279**	24,939,031
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, 2018 and December 31, 2017	**125,000**	125,000
Common stock, no par value; $1.00 stated value; 100,000,000 shares authorized at December 31, 2018 and 2017; 56,518,119 shares issued at December 31, 2018 and 56,068,220 shares issued at December 31, 2017	**56,518**	56,068
Surplus	**1,557,984**	1,529,035
Treasury stock, at cost, 110,561 shares at December 31, 2018 and 103,013 shares at December 31, 2017	**(5,634)**	(4,986)
Retained earnings	**1,610,574**	1,313,657
Accumulated other comprehensive loss	**(76,872)**	(41,835)
Total shareholders' equity	**3,267,570**	2,976,939
Total liabilities and shareholders' equity	**$ 31,244,849**	$ 27,915,970

See accompanying Notes to Consolidated Financial Statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)	Years Ended December 31, 2018	2017	2016
Interest income			
Interest and fees on loans	**$ 1,044,502**	$ 856,549	$ 726,048
Mortgage loans held-for-sale	**15,738**	12,332	14,953
Interest bearing deposits with banks	**17,090**	9,252	4,236
Federal funds sold and securities purchased under resale agreements	**1**	2	4
Investment securities	**87,382**	63,315	62,038
Trading account securities	**43**	25	75
Federal Home Loan Bank and Federal Reserve Bank stock	**5,331**	4,370	4,287
Brokerage customer receivables	**723**	623	816
Total interest income	**1,170,810**	946,468	812,457
Interest expense			
Interest on deposits	**166,553**	83,326	58,409
Interest on Federal Home Loan Bank advances	**12,412**	8,798	10,886
Interest on other borrowings	**8,599**	5,370	4,355
Interest on subordinated notes	**7,121**	7,116	7,111
Interest on junior subordinated debentures	**11,222**	9,782	9,503
Total interest expense	**205,907**	114,392	90,264
Net interest income	**964,903**	832,076	722,193
Provision for credit losses	**34,832**	29,768	34,084
Net interest income after provision for credit losses	**930,071**	802,308	688,109
Non-interest income			
Wealth management	**90,963**	81,766	76,018
Mortgage banking	**136,990**	113,472	128,743
Service charges on deposit accounts	**36,404**	34,513	31,210
(Losses) gains on investment securities, net	**(2,898)**	45	7,645
Fees from covered call options	**3,519**	4,402	11,470
Trading gains (losses), net	**11**	(845)	91
Operating lease income, net	**38,451**	29,646	16,441
Other	**52,710**	56,507	53,812
Total non-interest income	**356,150**	319,506	325,430
Non-interest expense			
Salaries and employee benefits	**480,077**	430,078	405,158
Equipment	**42,949**	38,358	37,055
Operating lease equipment depreciation	**29,305**	24,107	13,259
Occupancy, net	**57,814**	52,920	50,912
Data processing	**35,027**	31,495	28,776
Advertising and marketing	**41,140**	30,830	24,776
Professional fees	**32,306**	27,835	20,411
Amortization of other intangible assets	**4,571**	4,401	4,789
FDIC insurance	**17,209**	16,231	16,065
OREO expenses, net	**6,120**	3,593	5,187
Other	**79,570**	71,969	75,297
Total non-interest expense	**826,088**	731,817	681,685
Income before taxes	**460,133**	389,997	331,854
Income tax expense	**116,967**	132,315	124,979
Net income	**$ 343,166**	$ 257,682	$ 206,875
Preferred stock dividends	**8,200**	9,778	14,513
Net income applicable to common shares	**$ 334,966**	$ 247,904	$ 192,362
Net income per common share—Basic	**$ 5.95**	$ 4.53	$ 3.83
Net income per common share—Diluted	**$ 5.86**	$ 4.40	$ 3.66
Cash dividends declared per common share	**$ 0.76**	$ 0.56	$ 0.48
Weighted average common shares outstanding	**56,300**	54,703	50,278
Dilutive potential common shares	**908**	1,983	3,994
Average common shares and dilutive common shares	**57,208**	56,686	54,272

See accompanying Notes to Consolidated Financial Statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Years Ended December 31, 2018	2017	2016
Net income	**$ 343,166**	$ 257,682	$ 206,875
Unrealized (losses) gains on available-for-sale securities			
Before tax	**(27,408)**	22,123	(28,932)
Tax effect	**7,354**	(7,706)	11,378
Net of tax	**(20,054)**	14,417	(17,554)
Reclassification of net gains on available-for-sale securities included in net income			
Before tax	**33**	45	7,645
Tax effect	**(9)**	(18)	(3,004)
Net of tax	**24**	27	4,641
Reclassification of amortization of unrealized losses on investment securities transferred to held-to-maturity from available-for-sale			
Before tax	**89**	1,479	(17,386)
Tax effect	**(24)**	(585)	6,826
Net of tax	**65**	894	(10,560)
Net unrealized (losses) gains on available-for-sale securities	**(20,143)**	13,496	(11,635)
Unrealized (losses) gains on derivative instruments			
Before tax	**(1,160)**	4,958	10,473
Tax effect	**310**	(1,959)	(4,115)
Net unrealized (losses) gains on derivative instruments	**(850)**	2,999	6,358
Foreign currency translation adjustment			
Before tax	**(12,216)**	9,446	3,737
Tax effect	**3,026**	(2,448)	(1,080)
Net foreign currency translation adjustment	**(9,190)**	6,998	2,657
Total other comprehensive (loss) income	**(30,183)**	23,493	(2,620)
Comprehensive income	**$ 312,983**	$ 281,175	$ 204,255

See accompanying Notes to Consolidated Financial Statements

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

(In thousands)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2015	$ 251,287	$ 48,469	$ 1,190,988	$ (3,973)	$ 928,211	$ (62,708)	$ 2,352,274
Net income	—	—	—	—	206,875	—	206,875
Other comprehensive loss, net of tax	—	—	—	—	—	(2,620)	(2,620)
Cash dividends declared on common stock	—	—	—	—	(24,055)	—	(24,055)
Dividends on preferred stock	—	—	—	—	(14,513)	—	(14,513)
Stock-based compensation	—	—	9,303	—	—	—	9,303
Conversion of Series C Preferred Stock to common stock	(30)	1	29	—	—	—	—
Common stock issued for:							
New issuance, net of costs	—	3,000	149,911		—	—	152,911
Exercise of stock options and warrants	—	329	11,276	(377)	—	—	11,228
Restricted stock awards	—	98	142	(239)	—	—	1
Employee stock purchase plan	—	56	2,581	—	—	—	2,637
Director compensation plan	—	25	1,551	—	—	—	1,576
Balance at December 31, 2016	$ 251,257	$ 51,978	$ 1,365,781	$ (4,589)	$ 1,096,518	$ (65,328)	$ 2,695,617
Net income	—	—	—	—	257,682	—	257,682
Other comprehensive income, net of tax	—	—	—	—	—	23,493	23,493
Cash dividends declared on common stock	—	—	—	—	(30,765)	—	(30,765)
Dividends on preferred stock	—	—	—	—	(9,778)	—	(9,778)
Stock-based compensation	—	—	12,858	—	—	—	12,858
Conversion of Series C Preferred Stock to common stock	(126,257)	3,121	123,136	—	—	—	—
Common stock issued for:							
Exercise of stock options and warrants	—	813	23,261	—	—	—	24,074
Restricted stock awards	—	88	(88)	(397)	—	—	(397)
Employee stock purchase plan	—	36	2,494	—	—	—	2,530
Director compensation plan	—	32	1,593	—	—	—	1,625
Balance at December 31, 2017	$ 125,000	$ 56,068	$ 1,529,035	$ (4,986)	$ 1,313,657	$ (41,835)	$ 2,976,939
Cumulative effect adjustment from the adoption of:							
ASU 2016-01	**—**	**—**	**—**	**—**	**1,880**	**(1,880)**	**—**
ASU 2017-12	**—**	**—**	**—**	**—**	**(116)**	**—**	**(116)**
ASU 2018-02	**—**	**—**	**—**	**—**	**2,974**	**(2,974)**	**—**
Net income	**—**	**—**	**—**	**—**	**343,166**	**—**	**343,166**
Other comprehensive loss, net of tax	**—**	**—**	**—**		**—**	**(30,183)**	**(30,183)**
Cash dividends declared on common stock	**—**	**—**	**—**	**—**	**(42,787)**	**—**	**(42,787)**
Dividends on preferred stock	**—**	**—**	**—**	**—**	**(8,200)**	**—**	**(8,200)**
Stock-based compensation	**—**	**—**	**13,496**	**—**	**—**	**—**	**13,496**
Common stock issued for:							
Exercise of stock options and warrants	**—**	**299**	**11,359**	**(192)**	**—**	**—**	**11,466**
Restricted stock awards	**—**	**101**	**(101)**	**(456)**	**—**	**—**	**(456)**
Employee stock purchase plan	**—**	**31**	**2,492**	**—**	**—**	**—**	**2,523**
Director compensation plan	**—**	**19**	**1,703**	**—**	**—**	**—**	**1,722**
Balance at December 31, 2018	**$ 125,000**	**$ 56,518**	**$ 1,557,984**	**$ (5,634)**	**$ 1,610,574**	**$ (76,872)**	**$ 3,267,570**

See accompanying Notes to Consolidated Financial Statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(In thousands)	**2018**	2017	2016
Operating Activities:			
Net income	**$ 343,166**	$ 257,682	$ 206,875
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for credit losses	**34,832**	29,768	34,084
Depreciation, amortization and accretion, net	**67,665**	63,107	53,148
Deferred income tax expense	**55,224**	63,243	6,676
Stock-based compensation expense	**13,496**	12,858	9,303
Net amortization of premium on securities	**7,411**	6,098	5,646
Accretion of discounts on loans	**(20,318)**	(22,784)	(35,571)
Mortgage servicing rights fair value change, net	**5,370**	1,857	3,405
Originations and purchases of mortgage loans held-for-sale	**(3,955,438)**	(3,692,085)	(4,386,339)
Proceeds from sales of mortgage loans held-for-sale	**4,076,887**	3,869,137	4,468,984
BOLI income	**(5,448)**	(3,524)	(3,594)
(Increase) decrease in trading securities, net	**(697)**	994	(1,541)
Net decrease (increase) in brokerage customer receivables	**13,822**	(1,250)	2,450
Gains on mortgage loans sold	**(104,998)**	(88,699)	(112,981)
Losses (gains) on investment securities, net, and dividend reinvestment on equity securities	**2,000**	(45)	(7,645)
Gains on early extinguishment of debt, net	**—**	—	(3,588)
Losses (gains) on sales of premises and equipment, net	**64**	(192)	(305)
Net losses on sales and fair value adjustments of other real estate owned	**4,664**	639	1,381
Gain on termination of loss share agreements with the FDIC	**—**	(385)	—
Increase in accrued interest receivable and other assets, net	**(133,519)**	(126,583)	(43,953)
(Decrease) increase in accrued interest payable and other liabilities, net	**(27,001)**	31,790	114,531
Net Cash Provided by Operating Activities	**377,182**	401,626	310,966
Investing Activities:			
Proceeds from maturities and calls of available-for-sale securities	**352,683**	276,097	1,247,894
Proceeds from maturities and calls of held-to-maturity securities	**11,129**	108,943	735,036
Proceeds from sales of available-for-sale securities	**214,196**	344,674	2,194,278
Proceeds from sales of equity securities with readily determinable fair value	**1,895**	—	—
Proceeds from sales and capital distributions of equity securities without readily determinable fair value	**1,324**	—	—
Purchases of available-for-sale securities	**(1,095,375)**	(774,041)	(3,398,640)
Purchases of held-to-maturity securities	**(253,129)**	(301,909)	(486,696)
Purchases of equity securities without readily determinable fair value	**(4,592)**	—	—
(Purchase) redemption of Federal Home Loan Bank and Federal Reserve Bank stock, net	**(1,365)**	43,505	(31,913)
Distributions from investments in partnerships, net	**3,409**	512	339
Net cash paid in business combinations	**(53,871)**	(284)	(613,619)
Proceeds from sales of other real estate owned	**19,375**	18,742	38,367
Proceeds (paid to) received from the FDIC related to reimbursements on covered assets	**—**	(15,411)	1,207
Net increase in interest-bearing deposits with banks	**(15,988)**	(81,621)	(366,591)
Net increase in loans	**(1,883,354)**	(1,863,245)	(1,779,905)
Redemption of BOLI	**8,438**	—	1,840
Purchases of premises and equipment, net	**(68,273)**	(59,194)	(33,923)
Net Cash Used for Investing Activities	**(2,763,498)**	(2,303,232)	(2,492,326)
Financing Activities:			
Increase in deposit accounts	**2,547,399**	1,524,848	2,769,022
Increase (decrease) in subordinated notes and other borrowings, net	**137,257**	(4,888)	(3,405)
(Decrease) increase in Federal Home Loan Bank advances, net	**(147,999)**	403,000	(707,594)
Cash payments to settle contingent consideration liabilities recognized in business combinations	**—**	(1,097)	(1,273)
Proceeds from the issuance of common stock, net	**—**	—	152,911
Redemption of junior subordinated debentures, net	**—**	—	(10,695)
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**15,903**	28,229	15,828
Common stock repurchases for tax withholdings related to stock-based compensation	**(648)**	(397)	(616)
Dividends paid	**(50,987)**	(40,543)	(38,568)
Net Cash Provided by Financing Activities	**2,500,925**	1,909,152	2,175,610
Net Increase (Decrease) in Cash and Cash Equivalents	**114,609**	7,546	(5,750)
Cash and Cash Equivalents at Beginning of Period	**277,591**	270,045	275,795
Cash and Cash Equivalents at End of Period	**$ 392,200**	$ 277,591	$ 270,045
Supplemental Disclosure of Cash Flow Information:			
Cash paid during the year for:			
Interest	**$ 197,911**	$ 112,783	$ 91,390
Income taxes, net	**69,118**	76,812	94,888
Business combinations and asset acquisitions:			
Fair value of assets acquired, including cash and cash equivalents	**485,368**	1,022	882,865
Value ascribed to goodwill and other intangible assets	**109,548**	999	27,083
Fair value of liabilities assumed	**423,234**	738	259,631
Non-cash activities			
Transfer to other real estate owned from loans	**7,936**	15,013	13,352
Common stock issued for acquisitions	**—**	—	—

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 shared in the earnings of the Company. The weighted-average number of common shares outstanding is increased by the assumed conversion of 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. Net income applicable to common shares used in the diluted earnings per share calculation can be affected by the conversion of the Company's preferred stock. Where the effect of this conversion would reduce the loss per share or increase the income per share, net income applicable to common shares is not adjusted by the associated preferred dividends.

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. There is no separate recognition of the acquired allowance for loan losses on the acquirer's balance sheet as credit related factors are incorporated directly into the fair value of the loans recorded at the acquisition date. 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 after the acquisition date of the business combination and asset acquisitions 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.

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 has 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 remains as a separate component of other comprehensive income and an offsetting discount 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 other-than-temporary are charged to earnings as a realized loss, and a new cost basis for the securities is established. In evaluating other-than-temporary impairment, management considers the length of time and 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 other-than-temporary 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, an other-than-temporary impairment write-down is recognized in earnings 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 other-than-temporary impairment write-down is separated into an amount representing credit loss, which is recognized in earnings, and an amount related to all other factors, which is recognized in other comprehensive income.

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

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 capital leases are included within lease loans for financial statement purposes. Capital 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 capital 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 and/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.

The Company maintains its allowance for loan losses at a level believed appropriate by management to absorb probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on the average historical loss experience, and qualitative considerations. The allowance for loan losses includes the following components: 1) specific reserves on impaired loans, 2) a general reserve based upon historical loss experience and 3) qualitative factors to adjust the historical loss experience used, if deemed necessary.

If a loan is impaired, the Company analyzes the loan for purposes of calculating our specific impairment reserves. Loans with a credit risk rating of a 6 through 9 are reviewed 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 (an impaired loan). If a loan is impaired, 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 less the estimated cost to sell. Any shortfall is recorded as a specific reserve. For loans that are not considered impaired loans, a general reserve is established based on historical loss experience, adjusted for certain qualitative factors, related to the type of loan collateral, if any, and the assigned credit risk rating. Such qualitative factors assessed by management include the following:

- an assessment of internally-evaluated problem loans and historical loss experience;
- changes in the composition of the loan portfolio, changes in historical loss experience;
- changes in lending policies and procedures, including underwriting standards and collections, charge-off and recovery practices;
- changes in experience, ability and depth of lending management and staff;
- changes in national and local economic and business conditions and developments, including the condition of various market segments;
- changes in the volume and severity of past due and classified loans and trends in the volume of non-accrual loans, TDRs and other loan modifications;
- changes in the quality of the Company's loan review system;
- changes in the underlying collateral for collateral dependent loans; and
- the effect of other external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the bank's existing portfolio.

All such estimates and considerations may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries are credited to the allowance. A provision for credit losses is charged to income based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly and more frequently if deemed necessary.

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

In estimating expected losses, the Company evaluates loans for impairment in accordance ASC 310, "Receivables." A loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due pursuant to the contractual terms of the loan. Impaired loans include non-accrual loans, restructured loans or loans with principal and/or interest at risk, even if the loan is current with all payments of principal and interest. Impairment is measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral less costs to sell. If the estimated fair value of the loan is less than the recorded book value, a valuation allowance is established as a component of the allowance for loan losses. For TDRs in which impairment is calculated by the present value of future cash flows, the Company records interest income representing the decrease in impairment resulting from the passage of time during the respective period, which differs from interest income from contractually required interest on these specific loans.

The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit, to provide for the risk of loss inherent in these arrangements. The allowance is computed using a methodology similar to that used to determine the allowance for loan losses. This allowance is included in other liabilities on the statement of condition while the corresponding provision for these losses is recorded as a component of the provision for credit losses.

Mortgage Servicing Rights

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 homogenous 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 range from two to 15 years for furniture, fixtures and equipment, two to five 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 and 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. Internal costs related to the configuration and installation of new software and the modification of existing software that provides additional functionality 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.

FDIC Loss Share Asset (Liability)

In conjunction with FDIC-assisted transactions, the Company entered into loss share agreements with the FDIC. These agreements covered losses incurred with respect to loans, foreclosed real estate and certain other assets. The loss share assets and liabilities were measured separately from the loan portfolios because they were not contractually embedded in the loans and were not transferable with the loans should the Company choose to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss-share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets and liabilities were recorded as FDIC indemnification assets and other liabilities on the Consolidated Statements of Condition. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses reduced FDIC loss share assets or increased FDIC loss share liabilities. Reductions to expected losses, to the extent such reductions to expected losses were the result of an improvement to the actual or expected cash flows from the covered assets, also reduced FDIC loss share assets or increased FDIC loss share liabilities. In accordance with certain clawback provisions, the Company was required to reimburse the FDIC when actual losses were less than certain thresholds established for each loss share agreement. The balance of these estimated reimbursements and any related amortization were adjusted periodically for changes in the expected losses on covered assets. On the Consolidated Statements of Condition, estimated reimbursements from clawback provisions were recorded as a reduction to FDIC loss share assets or an increase to FDIC loss share liabilities. Although these assets and liabilities were contractual receivables from and payables to the FDIC, there were no contractual interest rates. Additional expected losses, to the extent such expected losses resulted in the recognition of an allowance for loan losses, increased FDIC loss share assets or reduced FDIC loss share liabilities. The corresponding amortization or accretion was recorded as a component of non-interest income on the Consolidated Statements of Income.

On October 16, 2017, the Company entered into agreements with the FDIC that terminated all existing loss share agreements with the FDIC. See Note 7, "Business Combinations," for further discussion of the termination of FDIC loss share agreements.

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. Any excess of the related loan balance over the fair value less expected selling costs is charged to the allowance for loan 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, 2018 and 2017, other real estate owned, excluding covered other real estate owned, totaled $24.8 million and $40.6 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 begin amortization over the estimated useful life at that point of time. 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. All of the Company’s intangible assets with 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. Changes in the cash surrender values are included in non-interest income. At December 31, 2018 and 2017, BOLI totaled $147.9 million and $145.9 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 statement 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 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 the banks' 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. There were no covered call option contracts outstanding as of December 31, 2018 and 2017.

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 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 requires 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.

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.

New Accounting Pronouncements Adopted

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, which created “Revenue from Contracts with Customers (Topic 606),” to clarify the principles for recognizing revenue and develop a common revenue standard for customer contracts. This ASU provides guidance regarding how an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also added a new subtopic to the codification, ASC 340-40, “Other Assets and Deferred Costs: Contracts with Customers” to provide guidance on costs related to obtaining and fulfilling a customer contract. Furthermore, the new standard requires disclosure of sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. At the time ASU No. 2014-09 was issued, the guidance was effective for fiscal years beginning after December 15, 2016. In July 2015, the FASB approved a deferral of the effective date by one year, which resulted in the guidance becoming effective for the Company as of January 1, 2018.

The FASB continued to issue various updates to clarify and improve specific areas of ASU No. 2014-09. In March 2016, the FASB issued ASU No. 2016-08, “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),” to clarify the implementation guidance within ASU No. 2014-09 surrounding principal versus agent considerations and its impact on revenue recognition. In April 2016, the FASB issued ASU No. 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing,” to also clarify the implementation guidance within ASU No. 2014-09 related to these two topics. In May 2016, the FASB issued ASU No. 2016-11, “Revenue Recognition

(Topic 605) and Derivative and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting," to remove certain areas of SEC Staff Guidance from those specific Topics. In May 2016 and December 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" and ASU 2016-20, "Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers," to clarify specific aspects of implementation, including the collectability criterion, exclusion of sales taxes collected from a transaction price, noncash consideration, contract modifications, completed contracts at transition, the applicability of loan guarantee fees, impairment of capitalized contract costs and certain disclosure requirements. In February 2017, the FASB issued ASU No. 2017-05, "Other Income - Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets," to clarify the implementation guidance within ASU No. 2014-09 surrounding transfers of nonfinancial assets, including partial sales of such assets, and its impact on revenue recognition. Like ASU No. 2014-09, this guidance became effective for the Company starting January 1, 2018.

The Company adopted ASU No. 2014-09 and all subsequent updates issued to clarify and improve specific areas of this ASU as of January 1, 2018. As certain significant revenue sources related to financial instruments such as interest income are considered not in-scope, the new guidance did not have a significant impact on the Company's consolidated financial statements. Revenue sources impacted by the new guidance include brokerage and trust and asset management fees from the wealth management business unit, card-based fees, deposit-related fees and other non-interest income. During implementation, the Company reviewed specific contracts with customers across these various sources of revenue. Reviews of such contracts assisted in identifying any characteristics of such contracts that could result in a change in the Company's current practices for recognition of revenue and recognition of costs incurred to obtain or fulfill such contracts. After review of such contracts, the Company identified no indication within the terms of such contracts that a significant change in the Company's current practices and accounting policies was necessary. The Company elected to adopt the new guidance using the modified retrospective approach applied to all contracts as of the date of initial application at January 1, 2018. Electing the modified retrospective approach resulted in no cumulative effect adjustment to the opening balance of retained earnings at the date of initial application. Additional disclosures have been added in accordance with the new guidance. See Note 15 – Revenue from Contracts with Customers for discussion of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," to improve the accounting for financial instruments. This ASU requires equity securities with readily determinable fair values to be measured at fair value with changes recognized in net income. Such equity securities with readily determinable fair values are no longer classified as available-for-sale debt securities or trading securities within the consolidated financial statements of an entity. Additionally, this ASU requires the separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements.

The Company adopted this guidance as of January 1, 2018. For equity securities with a readily determinable fair value, this guidance was applied under a modified retrospective approach with a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. As of January 1, 2018, the Company reclassified approximately $1.9 million from accumulated other comprehensive income, related to previously recognized unrealized gains, net of deferred taxes, from equity securities with readily determinable fair values, to retained earnings. Equity securities with readily determinable fair values are presented separate from available-for-sale debt securities and trading securities within the Company's Consolidated Statements of Condition prospectively as of the effective date. Equity securities without readily determinable fair values are included within accrued interest receivable and other assets within the Company's Consolidated Statements of Condition. See Note 5, "Investment Securities" for further discussion of equity securities with and without readily determinable fair values.

In January 2018, the FASB issued ASU No. 2018-03, "Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," to clarify certain aspects of the guidance issued in ASU No. 2016-01, including aspects of equity securities without a readily determinable fair value. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years beginning after June 15, 2018. Early adoption is permitted. As these clarifications did not have a material impact on the Company's consolidated financial statements, the Company elected to early adopt this guidance as of January 1, 2018.

Derivatives

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities," to improve the financial reporting of hedging relationships to better align the economic results of an entity’s risk management activities and disclosures within its financial statements. In addition, this ASU makes certain targeted improvements to simplify the application of the hedge accounting, including to derivative instruments as well as allow a one-time election to reclassify fixed-rate, prepayable debt securities from a held-to-maturity classification to an available-for-sale classification. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Guidance related to existing cash flow hedges and, if elected, fair value hedges is to be applied under a modified retrospective approach and guidance related to amended presentation and disclosures is to be applied under a prospective approach.

Early adoption is permitted as of the beginning of an annual period that has not been issued or made available for issuance. The Company elected to early adopt this guidance as of January 1, 2018. See Note 21 - Derivative Financial Instruments for further discussion of early adoption of this guidance. The impact of early adoption on the financial statements included the following:

- As allowed under the guidance, for certain existing derivative instruments designated as fair value hedges, the Company transitioned the measurement methodology for the related hedged item (loans) to be in accordance with the guidance without dedesignation of the hedging relationship. This resulted in a negative cumulative basis adjustment to loans of $116,000 with a corresponding adjustment to retained earnings.
- No fixed-rate, prepayable held-to-maturity securities were transferred to an available-for-sale classification.
- The entire change in the hedging instrument included in the assessment of hedge effectiveness of fair value hedges is presented in the same income statement line as the current impact of the effective portion of such hedge, or interest income and interest expense for interest rate hedging. The Company has previously recognized this ineffectiveness within non-interest income.

In October 2018, the FASB issued ASU No. 2018-16, “Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes,” to permit the use of the OIS rate based on SOFR as a U.S. benchmark interest rate for hedge accounting purposes. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied prospectively for qualifying new or redesignated hedging relationships entered into on or after the date of adoption. Early adoption is permitted and the Company has early adopted ASU 2018-16 in 2018.

Statement of Cash Flows

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the FASB Emerging Issues Task Force),” to clarify the presentation of specific types of cash flow receipts and payments, including the payment of debt prepayment or debt extinguishment costs, contingent consideration cash payments paid subsequent to the acquisition date and proceeds from settlement of BOLI policies. This guidance became effective as of January 1, 2018 and was applied under a retrospective approach resulting in additional disclosure, including cash payments made to settle contingent consideration liabilities recognized in prior business combinations.

In November 2016, the FASB issued ASU No. 2016-18 “Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),” to clarify the classification and presentation of changes in restricted cash on the statement of cash flows. This guidance became effective as of January 1, 2018 and did not have a material impact on the Company.

Income Taxes

In October 2016, the FASB issued ASU No. 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory,” to improve the accounting for intra-entity transfers of assets other than inventory. This ASU allows the recognition of current and deferred income taxes for such transfers prior to the subsequent sale of the transferred assets to an outside party. Initial recognition of current and deferred income taxes is currently prohibited for intra-entity transfers of assets other than inventory. This guidance became effective as of January 1, 2018 and did not have a material impact on the Company.

The Tax Act was enacted on December 22, 2017, and the Company recognized a provisional tax benefit of $7.6 million in 2017 to reflect the impact of the Tax Act, primarily reflecting estimated effects of a lower federal income tax rate on its net deferred tax liabilities and a transition tax due on the deferred earnings of the Company's Canadian subsidiary. Estimates were made in good faith and were subject to change as additional information and interpretive guidance regarding provisions of the Tax Act became available. Staff Accounting Bulletin 118 provided a measurement period, not to extend beyond one year from the date of enactment, during which a company could complete the accounting for the impacts of the Tax Act. In 2018, the Company finalized the provisional amounts recorded for the year ended December 31, 2017 related to the Tax Act and recorded an additional net tax benefit of $1.2 million.

Business Combinations

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business,” to improve such definition and, as a result, assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or as business combinations. The definition of a business impacts many areas of accounting including acquisitions, disposals, goodwill and consolidation. This guidance became effective as of January 1, 2018 and was applied under a prospective approach. See Note 7, “Business Combinations and Asset Acquisitions” for further discussion of business acquisitions occurring in 2018.

Compensation

In March 2017, the FASB issued ASU No. 2017-07, “Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,” to improve the presentation of net periodic pension cost and net periodic post-retirement benefit cost. An entity will be required to report the service cost component of such costs in the same line item or items as other compensation costs related to services rendered. Additionally, only the service cost component will be eligible for capitalization when applicable. This guidance became effective as of January 1, 2018 and was applied under a retrospective approach related to presentation of the service cost component and a prospective approach related to capitalization of such costs. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, “Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting,” to clarify when modification accounting is appropriate for changes to the terms and conditions of a share-based payment award. An entity will be required to account for such changes as a modification unless certain criteria is met. This guidance became effective as of January 1, 2018 and was applied under a prospective approach for awards modified on or after the adoption date. Adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

Accumulated Other Comprehensive Income (Loss)

In February 2018, the FASB issued ASU No. 2018-02, “Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income,” to allow a reclassification from accumulated other comprehensive income to retained earnings related to the stranded tax effects within other comprehensive income resulting from the Federal income tax rate reduction in the Tax Act. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied either in the period of adoption or retrospectively to each period or periods in which the effect of the Tax Act is recognized.

Early adoption is permitted as of the beginning of an annual period that has not been issued or made available for issuance. The Company elected to early adopt this guidance as of January 1, 2018 and applied such reclassification in the current period (period of adoption). As of January 1, 2018, the Company reclassified a stranded tax credit of $3.0 million from accumulated other comprehensive income to retained earnings. The Company has a policy for releasing the income tax effects from accumulated other comprehensive income using an individual security approach.

(2) Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842),” to improve transparency and comparability across entities regarding leasing arrangements. This ASU requires the recognition of a separate lease liability representing the required discounted lease payments over the lease term and a separate lease asset representing the right to use the underlying asset during the same lease term. Further, this ASU provides clarification regarding the identification of certain components of contracts that would represent a lease as well as requires additional disclosures to the notes of the financial statements. Additionally, in January 2018, the FASB issued ASU No. 2018-01, "Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842," to permit an entity to elect an optional practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under existing accounting guidance. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach, including the option to apply certain practical expedients.

The FASB has continued to issue various updates to clarify and improve specific areas of ASU No. 2016-02. In July 2018, the FASB issued ASU No. 2018-10, “Codification Improvements to Topic 842, Leases,” to clarify the implementation guidance within ASU No. 2016-02 surrounding narrow aspects of Topic 842, including lessee reassessment of lease classifications, the rate implicit in a lease, lessor reassessment of lease terms and purchase options and variable lease payments that depend on an index or a rate.

Also, in July 2018, the FASB issued ASU No. 2018-11, "Leases (Topic 842): Targeted Improvements," to clarify the implementation guidance within ASU No. 2016-02 surrounding comparative period reporting requirements for initial adoption as well as separating lease and non-lease components in a contract and allocating consideration in the contract to the separate components. Also, in December 2018, the FASB issued ASU No. 2018-20, "Leases (Topic 842): Narrow-Scope Improvements for Lessors," to clarify the implementation guidance within ASU No. 2016-02 surrounding specific aspects of lessor accounting. Like ASU No. 2016-02, this guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach.

For leasing arrangements in which the Company is a lessee, the Company will primarily recognize separate lease liabilities and right to use assets related to certain banking facilities under operating lease agreements. Other leasing arrangements in which the Company will recognize separate lease liabilities and right to use assets include the use of signage related to certain sponsorships and other agreements, and certain automatic teller machines. The impact of adoption on the financial statements primarily includes the following:

- The Company expects to utilize the following transition elections and practical expedients:
  - Optional transition method to apply the new guidance at the date of adoption (i.e. January 1, 2019) and continue applying current lease accounting guidance for comparative periods (i.e. fiscal years 2018 and 2017).
  - For lessee arrangements of certain banking facilities, the Company expects to elect the practical expedient to not separate non-lease components from lease components and instead to account for each separate lease and non-lease component as a single lease component.
  - A package of practical expedients applied to leases existing prior to the effective date that must all be elected together and allow a Company to not reassess:
    - whether any expiring or existing contracts are or contain a lease;
    - lease classification for any expired or existing leases; and
    - whether initial direct costs for any expired or existing leases qualify for capitalization.
  - A practical expedient that will permit an entity to continue applying its current policy for accounting for expired or existing land easements.
  - An accounting policy election for short-term leases (i.e. terms of 12 months or less with no purchase option expected to be exercised) to apply accounting similar to ASC 840, specifically to not recognize separate lease liabilities and right to use assets.
- The Company expects to recognize at the effective date a right of use asset on the Consolidated Statements of Condition between $150.0 million and $190.0 million.

Allowance for Credit Losses

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," to replace the current incurred loss methodology for recognizing credit losses, which delays recognition until it is probable a loss has been incurred, with a methodology that reflects an estimate of all expected credit losses and considers additional reasonable and supportable forecasted information when determining credit loss estimates. This impacts the calculation of an allowance for credit losses for all financial assets measured under the amortized cost basis, including held-to-maturity debt securities and PCI loans at the time of and subsequent to acquisition. Additionally, credit losses related to available-for-sale debt securities would be recorded through the allowance for credit losses and not as a direct adjustment to the amortized cost of the securities. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach.

The FASB has continued to issue various updates to clarify and improve specific areas of ASU No. 2016-13. In November 2018, the FASB issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses," to clarify the implementation guidance within ASU No. 2016-13 surrounding narrow aspects of Topic 326, including the impact of the guidance on operating lease receivables. Like ASU No. 2016-13, this guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach.

The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements as well as the impact on current systems and processes. Specifically, the Company has established a committee consisting of individuals from the various areas of the Company tasked with transitioning to the new requirements. At this time, the Company is finalizing potential accounting policy elections and modeling methodologies for estimating expected credit losses using reasonable and supportable forecast information. Additionally, the Company is utilizing certain historical data and a previously selected platform to build, store, execute and determine the financial impact. Controls and processes are also being designed for the continued implementation process and after the effective date.

Goodwill

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” to simplify the subsequent measurement of goodwill. When the carrying amount of a reporting unit exceeds its fair value, an entity would no longer be required to determine goodwill impairment by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit was acquired in a business combination. Goodwill impairment would be recognized according to the excess of the carrying amount of the reporting unit over the calculated fair value of such unit. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and is to be applied under a prospective approach. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Amortization of Premium on Certain Debt Securities

In March 2017, the FASB issued ASU No. 2017-08, “Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities,” to amend the amortization period for certain purchased callable debt securities held at a premium. The amortization period for such securities will be shortened to the earliest call date. This guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and is to be applied under a modified retrospective approach. Early adoption is permitted as of the beginning of an annual period that has not been issued or made available for issuance. The Company did not early adopt this guidance as of January 1, 2018. The Company has evaluated adoption of this guidance and determined it will not have a material impact on the consolidated financial statements.

Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirement for Fair Value Measurement,” to modify disclosure requirements on fair value measurements and inputs. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and is to be applied prospectively or retrospectively depending upon the disclosure requirement. Early adoption is permitted. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

Intangibles

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract,” to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with similar requirements related to implementation costs incurred to develop or obtain internal-use software. In addition, the amendment requires any capitalized implementation costs related to a hosting arrangement to be expensed over the term of the hosting arrangement. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and is to be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the impact of adopting this new guidance on the 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, 2018 and 2017 is as follows:

	December 31, 2018				December 31, 2017			
(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	**$ 126,199**	**$ 391**	**$ (186)**	**$ 126,404**	$ 144,904	$ —	$ (1,082)	$ 143,822
U.S. Government agencies	**139,420**	**917**	**(30)**	**140,307**	157,638	2	(725)	156,915
Municipal	**136,831**	**2,427**	**(768)**	**138,490**	113,197	2,712	(557)	115,352
Corporate notes:								
Financial issuers	**97,079**	**35**	**(7,069)**	**90,045**	30,309	43	(301)	30,051
Other	**1,000**	**—**	**—**	**1,000**	1,000	—	(1)	999
Mortgage-backed: (1)								
Mortgage-backed securities	**1,641,146**	**2,510**	**(57,317)**	**1,586,339**	1,291,695	446	(31,955)	1,260,186
Collateralized mortgage obligations	**43,819**	**500**	**(823)**	**43,496**	60,092	64	(617)	59,539
Equity securities (2)	**—**	**—**	**—**	**—**	34,234	3,357	(789)	36,802
Total available-for-sale securities	**$2,185,494**	**$ 6,780**	**$ (66,193)**	**$2,126,081**	$1,833,069	$ 6,624	$ (36,027)	$1,803,666
Held-to-maturity securities								
U.S. Government agencies	**$ 814,864**	**$ 1,141**	**$ (28,576)**	**$ 787,429**	$ 579,062	$ 23	$ (14,066)	$ 565,019
Municipal	**252,575**	**1,100**	**(5,008)**	**248,667**	247,387	2,668	(2,558)	247,497
Total held-to-maturity securities	**$1,067,439**	**$ 2,241**	**$ (33,584)**	**$1,036,096**	$ 826,449	$ 2,691	$ (16,624)	$ 812,516
Equity securities with readily determinable fair value (2)	**$ 34,410**	**$ 1,532**	**$ (1,225)**	**$ 34,717**	$ —	$ —	$ —	$ —

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

(2) *As a result of the adoption of ASU No. 2016-01 effective January 1, 2018, equity securities with readily determinable fair value are no longer presented within available-for-sale securities and are now presented as equity securities with readily determinable fair values in the Company's Consolidated Statements of Condition for the current period.*

Equity securities without readily determinable fair values totaled $26.6 million as of December 31, 2018. 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 recorded a $325,000 upward adjustments on such equity securities in 2018 related to observable price changes in orderly transactions for the identical or a similar investment of the same issuer in accordance with the adoption of ASU No. 2016-01. No downward adjustments of equity securities without readily determinable fair values related to observable price changes in orderly transactions for the identical or a similar investment of the same issuer were recorded during the same period. The Company monitors its equity investments without a readily determinable fair values to identify potential transactions that may indicate an observable price change requiring adjustment to its carrying amount.

The following table presents the portion of the Company's available-for-sale and held-to-maturity securities portfolios which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2018:

	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	$ 5,485	$ (5)	$ 24,829	$ (181)	$ 30,314	$ (186)
U.S. Government agencies	—	—	11,167	(30)	11,167	(30)
Municipal	10,676	(178)	22,147	(590)	32,823	(768)
Corporate notes:						
Financial issuers	37,076	(2,921)	42,934	(4,148)	80,010	(7,069)
Other	—	—	—	—	—	—
Mortgage-backed:						
Mortgage-backed securities	114,958	(124)	1,340,916	(57,193)	1,455,874	(57,317)
Collateralized mortgage obligations	510	(1)	34,255	(822)	34,765	(823)
Total available-for-sale securities	$ 168,705	$ (3,229)	$ 1,476,248	$ (62,964)	$ 1,644,953	$ (66,193)
Held-to-maturity securities						
U.S. Government agencies	$ —	$ —	$ 601,238	$ (28,576)	$ 601,238	$ (28,576)
Municipal	38,239	(637)	158,302	(4,371)	196,541	(5,008)
Total held-to-maturity securities	$ 38,239	$ (637)	$ 759,540	$ (32,947)	$ 797,779	$ (33,584)

The following table presents the portion of the Company's available-for-sale and held-to-maturity securities portfolios which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2017:

	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	$ 24,811	$ (215)	$ 119,011	$ (867)	$ 143,822	$ (1,082)
U.S. Government agencies	14,462	(69)	141,471	(656)	155,933	(725)
Municipal	28,221	(256)	15,840	(301)	44,061	(557)
Corporate notes:						
Financial issuers	1,210	(1)	5,665	(300)	6,875	(301)
Other	—	—	999	(1)	999	(1)
Mortgage-backed:						
Mortgage-backed securities	137,255	(915)	989,971	(31,040)	1,127,226	(31,955)
Collateralized mortgage obligations	35,038	(213)	13,719	(404)	48,757	(617)
Equity securities	9,116	(343)	6,054	(446)	15,170	(789)
Total available-for-sale securities	$ 250,113	$ (2,012)	$ 1,292,730	$ (34,015)	$ 1,542,843	$ (36,027)
Held-to-maturity securities						
U.S. Government agencies	$ 241,849	$ (3,263)	$ 300,200	$ (10,803)	$ 542,049	$ (14,066)
Municipal	56,901	(1,004)	52,399	(1,554)	109,300	(2,558)
Total held-to-maturity securities	$ 298,750	$ (4,267)	$ 352,599	$ (12,357)	$ 651,349	$ (16,624)

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

The Company does not consider securities with unrealized losses at December 31, 2018 to be other-than-temporarily impaired. The Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates of the securities. The unrealized losses within each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. Securities with continuous unrealized losses existing for more than twelve months were primarily U.S. Treasury securities, U.S. government agency securities, municipal securities, corporate notes and mortgage-backed securities.

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)	**2018**	2017	2016
Realized gains on investment securities	**$ 1,144**	$ 147	$ 9,399
Realized losses on investment securities	**(1,111)**	(102)	(1,754)
Net realized gains on investment securities	**33**	$ 45	$ 7,645
Unrealized gains on equity securities with readily determinable fair value	**2,771**	—	—
Unrealized losses on equity securities with readily determinable fair value	**(4,910)**	—	—
Net unrealized losses on equity securities with readily determinable fair value	**(2,139)**	—	—
Upward adjustments of equity securities without readily determinable fair values	**325**	—	—
Downward adjustments of equity securities without readily determinable fair values	**—**	—	—
Impairment of equity securities without readily determinable fair values	**(1,117)**	—	—
Adjustment and impairment, net, of equity securities without readily determinable fair values	**(792)**	—	—
Other than temporary impairment charges	**—**	—	—
(Losses) gains on investment securities, net	**(2,898)**	45	7,645
Proceeds from sales of available-for-sale securities	**214,196**	344,674	2,194,278
Proceeds from sales of equity securities with readily determinable fair value	**1,895**	—	—
Proceeds from sales and capital distributions of equity securities without readily determinable fair value	**1,324**	—	—

During the year ended December 31, 2018, the Company recorded $1.1 million of impairment of equity securities without readily determinable fair values. 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.

Net losses/gains on investment securities resulted in income tax (benefit) expense of ($737,000), $18,000 and $2.9 million in 2018, 2017 and 2016, respectively.

The amortized cost and fair value of securities as of December 31, 2018 and December 31, 2017, 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, 2018		December 31, 2017	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Available-for-sale securities				
Due in one year or less	**$ 82,206**	**$ 82,153**	$ 300,833	$ 299,285
Due in one to five years	**168,855**	**169,307**	97,019	97,326
Due in five to ten years	**121,129**	**115,206**	33,947	35,029
Due after ten years	**128,339**	**129,580**	15,249	15,499
Mortgage-backed	**1,684,965**	**1,629,835**	1,351,787	1,319,725
Equity securities (1)	**—**	**—**	34,234	36,802
Total available-for-sale securities	**$ 2,185,494**	**$ 2,126,081**	$ 1,833,069	$ 1,803,666
Held-to-maturity securities				
Due in one year or less	**$ 10,009**	**$ 9,979**	$ 170	$ 171
Due in one to five years	**29,436**	**28,995**	38,392	38,012
Due in five to ten years	**295,897**	**290,206**	205,227	203,680
Due after ten years	**732,097**	**706,916**	582,660	570,653
Total held-to-maturity securities	**$ 1,067,439**	**$ 1,036,096**	$ 826,449	$ 812,516

(1) As a result of the adoption of ASU No. 2016-01 effective January 1, 2018, equity securities with readily determinable fair value are no longer presented within available-for-sale securities and are now presented as equity securities with readily determinable fair values in the Company's Consolidated Statements of Condition for the current period.

At December 31, 2018 and December 31, 2017, securities having a carrying value of $1.7 billion, were pledged as collateral for public deposits, trust deposits, FHLB advances, securities sold under repurchase agreements and derivatives. At December 31, 2018, 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, 2018	December 31, 2017
Balance:		
Commercial	**$ 7,828,538**	$ 6,787,677
Commercial real estate	**6,933,252**	6,580,618
Home equity	**552,343**	663,045
Residential real estate	**1,002,464**	832,120
Premium finance receivables—commercial	**2,841,659**	2,634,565
Premium finance receivables—life insurance	**4,541,794**	4,035,059
Consumer and other	**120,641**	107,713
Total loans, net of unearned income	**$ 23,820,691**	$ 21,640,797
Mix:		
Commercial	**33%**	31%
Commercial real estate	**29**	30
Home equity	**2**	3
Residential real estate	**4**	4
Premium finance receivables—commercial	**12**	12
Premium finance receivables—life insurance	**19**	19
Consumer and other	**1**	1
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 located within the geographic market areas that the banks serve. The premium finance receivables portfolios are made to customers throughout the United States and Canada. The Company strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries.

Certain premium finance receivables are recorded net of unearned income. The unearned income portions of such premium finance receivables were $112.9 million and $87.0 million at December 31, 2018 and 2017, respectively.

Total loans, excluding PCI loans, include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $4.5 million and $9.3 million at December 31, 2018 and 2017, respectively. PCI loans are recorded net of credit discounts. See "Acquired Loan Information at Acquisition - PCI Loans" below.

Certain real estate loans, including mortgage loans held-for-sale, and home equity loans with balances totaling approximately $6.1 billion and $6.4 billion at December 31, 2018 and 2017, respectively, were pledged as collateral to secure the availability of borrowings from certain federal agency banks. At December 31, 2018, approximately $5.7 billion of these pledged loans are included in a blanket pledge of qualifying loans to the FHLB. The remaining $484.6 million of pledged loans was used to secure potential borrowings at the FRB discount window. At December 31, 2018 and 2017, the banks had outstanding borrowings of $426.3 million and $559.7 million, 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 at Acquisition — PCI Loans

As part of the Company's previous acquisitions, the Company acquired loans for which there was evidence of credit quality deterioration since origination (PCI loans) and we determined that it was probable that the Company would be unable to collect all contractually required principal and interest payments. The following table presents the unpaid principal balance and carrying value for these acquired loans as of the dates shown:

	December 31, 2018		December 31, 2017	
(Dollars in thousands)	**Unpaid Principal Balance**	**Carrying Value**	Unpaid Principal Balance	Carrying Value
PCI loans	**$ 341,555**	**$ 318,394**	$ 375,237	$ 350,690

See Note 5, "Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans," for further discussion regarding the allowance for loan losses associated with PCI loans at December 31, 2018.

The following table provides estimated details as of the date of acquisition on loans acquired in 2018 with evidence of credit quality deterioration since origination:

(Dollars in thousands)	**Delaware Place Bank**	**American Enterprise Bank**
Contractually required payments including interest	**$ 13,385**	**$ 31,750**
Less: Nonaccretable difference	**1,197**	**3,813**
Cash flows expected to be collected (1)	**$ 12,188**	**$ 27,937**
Less: Accretable yield	**2,205**	**3,970**
Fair value of PCI loans acquired	**$ 9,983**	**$ 23,967**

(1) Represents undiscounted expected principal and interest cash at acquisition.

Accretable Yield Activity — PCI Loans

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

	Years Ended December 31,	
(Dollars in thousands)	**2018**	2017
Accretable yield, beginning balance	**$ 36,565**	$ 49,408
Acquisitions	**6,175**	426
Accretable yield amortized to interest income	**(16,711)**	(21,512)
Accretable yield amortized to indemnification asset/liability (1)	**—**	(1,087)
Reclassification from non-accretable difference (2)	**4,835**	7,805
Increases (Decreases) in interest cash flows due to payments and changes in interest rates	**4,012**	1,525
Accretable yield, ending balance	**$ 34,876**	$ 36,565

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

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

Accretion to interest income accounted for under ASC 310-30 totaled $16.7 million and $21.5 million in 2018 and 2017, respectively. These amounts include accretion from both covered and non-covered loans, and are included together within interest and fees on loans in the Consolidated Statements of Income.

(5) Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans

The tables below show the aging of the Company's loan portfolio at December 31, 2018 and 2017:

As of December 31, 2018 (Dollars in thousands)	**Nonaccrual**	**90+ days and still accruing**	**60-89 days past due**	**30-59 days past due**	**Current**	**Total Loans**
Loan Balances:						
Commercial						
Commercial, industrial and other	$ 34,298	$ —	$ 1,451	$ 21,618	$ 5,062,729	$ 5,120,096
Franchise	16,051	—	—	8,738	924,190	948,979
Mortgage warehouse lines of credit	—	—	—	—	144,199	144,199
Asset-based lending	635	—	200	3,156	1,022,065	1,026,056
Leases	—	—	—	1,250	564,430	565,680
PCI - commercial (1)	—	3,313	—	99	20,116	23,528
Total commercial	$ 50,984	$ 3,313	$ 1,651	$ 34,861	$ 7,737,729	$ 7,828,538
Commercial real estate:						
Construction	1,554	—	—	9,424	749,846	760,824
Land	107	—	170	107	141,097	141,481
Office	3,629	—	877	5,077	929,739	939,322
Industrial	285	—	—	16,596	885,367	902,248
Retail	10,753	—	1,890	1,729	878,106	892,478
Multi-family	311	—	77	5,575	970,597	976,560
Mixed use and other	2,490	—	1,617	8,983	2,192,105	2,205,195
PCI - commercial real estate (1)	—	6,241	6,195	4,075	98,633	115,144
Total commercial real estate	$ 19,129	$ 6,241	$ 10,826	$ 51,566	$ 6,845,490	$ 6,933,252
Home equity	7,147	—	131	3,105	541,960	552,343
Residential real estate, including PCI	16,383	1,292	1,692	6,171	976,926	1,002,464
Premium finance receivables						
Commercial insurance loans	11,335	7,799	11,382	15,085	2,796,058	2,841,659
Life insurance loans	—	—	8,407	24,628	4,340,856	4,373,891
PCI - life insurance loans (1)	—	—	—	—	167,903	167,903
Consumer and other, including PCI	348	227	87	733	119,246	120,641
Total loans, net of unearned income	$ 105,326	$ 18,872	$ 34,176	$ 136,149	$ 23,526,168	$ 23,820,691

(1) PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. Loan agings are based upon contractually required payments. See Note 4, "Loans," for further discussion of these purchased loans.

As of December 31, 2017 (Dollars in thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances:						
Commercial						
Commercial, industrial and other	$ 11,260	$ —	$ 3,746	$ 13,392	$ 4,314,107	$ 4,342,505
Franchise	2,447	—	—	—	845,150	847,597
Mortgage warehouse lines of credit	—	—	—	4,000	190,523	194,523
Asset-based lending	1,550	—	283	10,057	968,576	980,466
Leases	439	—	3	1,958	410,772	413,172
PCI - commercial (1)	—	877	186	—	8,351	9,414
Total commercial	$ 15,696	$ 877	$ 4,218	$ 29,407	$ 6,737,479	$ 6,787,677
Commercial real estate						
Construction	$ 3,143	$ —	$ —	$ 200	$ 742,171	$ 745,514
Land	188	—	—	5,156	121,140	126,484
Office	2,438	—	—	4,458	887,937	894,833
Industrial	811	—	—	2,412	879,796	883,019
Retail	12,328	—	668	148	938,383	951,527
Multi-family	—	—	—	1,034	914,610	915,644
Mixed use and other	3,140	—	1,423	9,641	1,921,501	1,935,705
PCI - commercial real estate (1)	—	7,135	2,255	6,277	112,225	127,892
Total commercial real estate	$ 22,048	$ 7,135	$ 4,346	$ 29,326	$ 6,517,763	$ 6,580,618
Home equity	8,978	—	518	4,634	648,915	663,045
Residential real estate, including PCI	17,977	5,304	1,303	8,378	799,158	832,120
Premium finance receivables						
Commercial insurance loans	12,163	9,242	17,796	15,849	2,579,515	2,634,565
Life insurance loans	—	—	4,837	10,017	3,820,936	3,835,790
PCI - life insurance loans (1)	—	—	—	—	199,269	199,269
Consumer and other, including PCI	740	101	242	727	105,903	107,713
Total loans, net of unearned income, excluding covered loans	77,602	22,659	33,260	98,338	21,408,938	21,640,797

(1) *PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. Loan agings are based upon contractually required payments. See Note 4, "Loans," for further discussion of these purchased loans.*

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.

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 or an impairment reserve may be established. The Company's impairment analysis utilizes an independent re-appraisal of the collateral (unless such a third-party evaluation is not possible due to the unique nature of the collateral, such as a closely-held business or thinly traded securities). In the case of commercial real estate collateral, an independent third party appraisal is ordered by the Company's Real Estate Services Group to determine if there has been any change in the underlying collateral value. These independent appraisals are reviewed by the Real Estate Services Group and sometimes by independent third party valuation experts and may be adjusted depending upon market conditions.

Through the credit risk rating process, loans are reviewed to determine if they are performing in accordance with the original contractual terms. If the borrower has failed to comply with the original contractual terms, further action may be required by the Company, including a downgrade in the credit risk rating, movement to non-accrual status, a charge-off or the establishment of a specific impairment reserve. If 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.

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

Non-performing loans include all non-accrual loans (8 and 9 risk ratings) as well as loans 90 days past due and still accruing interest, excluding PCI loans. The remainder of the portfolio is considered performing under the contractual terms of the loan agreement. The following table presents the recorded investment based on performance of loans by class, per the most recent analysis at December 31, 2018 and 2017:

	Performing		Non-performing		Total	
(Dollars in thousands)	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Loan Balances:						
Commercial						
Commercial, industrial and other	**$ 5,085,798**	$ 4,331,245	**$ 34,298**	$ 11,260	**$ 5,120,096**	$ 4,342,505
Franchise	**932,928**	845,150	**16,051**	2,447	**948,979**	847,597
Mortgage warehouse lines of credit	**144,199**	194,523	**—**	—	**144,199**	194,523
Asset-based lending	**1,025,421**	978,916	**635**	1,550	**1,026,056**	980,466
Leases	**565,680**	412,733	**—**	439	**565,680**	413,172
PCI - commercial [(1)]	**23,528**	9,414	**—**	—	**23,528**	9,414
Total commercial	**$ 7,777,554**	$ 6,771,981	**$ 50,984**	$ 15,696	**$ 7,828,538**	$ 6,787,677
Commercial real estate						
Construction	**759,270**	742,371	**1,554**	3,143	**760,824**	745,514
Land	**141,374**	126,296	**107**	188	**141,481**	126,484
Office	**935,693**	892,395	**3,629**	2,438	**939,322**	894,833
Industrial	**901,963**	882,208	**285**	811	**902,248**	883,019
Retail	**881,725**	939,199	**10,753**	12,328	**892,478**	951,527
Multi-family	**976,249**	915,644	**311**	—	**976,560**	915,644
Mixed use and other	**2,202,705**	1,932,565	**2,490**	3,140	**2,205,195**	1,935,705
PCI - commercial real estate [(1)]	**115,144**	127,892	**—**	—	**115,144**	127,892
Total commercial real estate	**$ 6,914,123**	$ 6,558,570	**$ 19,129**	$ 22,048	**$ 6,933,252**	$ 6,580,618
Home equity	**545,196**	654,067	**7,147**	8,978	**552,343**	663,045
Residential real estate, including PCI	**986,081**	810,865	**16,383**	21,255	**1,002,464**	832,120
Premium finance receivables						
Commercial insurance loans	**2,822,525**	2,613,160	**19,134**	21,405	**2,841,659**	2,634,565
Life insurance loans	**4,373,891**	3,835,790	**—**	—	**4,373,891**	3,835,790
PCI - life insurance loans [(1)]	**167,903**	199,269	**—**	—	**167,903**	199,269
Consumer and other, including PCI	**120,184**	106,933	**457**	780	**120,641**	107,713
Total loans, net of unearned income, excluding covered loans	**$ 23,707,457**	$ 21,550,635	**$ 113,234**	$ 90,162	**$ 23,820,691**	$ 21,640,797

(1) PCI loans represent loans acquired with evidence of credit quality deterioration since origination, in accordance with ASC 310-30. See Note 4, "Loans," for further discussion of these purchased loans.

A summary of the activity in the allowance for credit losses by loan portfolio (excluding covered loans) for the years ended December 31, 2018 and 2017 is as follows:

Year Ended December 31, 2018 (Dollars in thousands)	**Commercial**	**Commercial Real Estate**	**Home Equity**	**Residential Real Estate**	**Premium Finance Receivable**	**Consumer and Other**	**Total, Excluding Covered Loans**
Allowance for credit losses							
Allowance for loan losses at beginning of period	**$ 57,811**	**$ 55,227**	**$ 10,493**	**$ 6,688**	**$ 6,846**	**$ 840**	**$ 137,905**
Other adjustments	**(3)**	**(85)**	**(5)**	**(25)**	**(63)**	**—**	**(181)**
Reclassification to/from allowance for unfunded lending-related commitments	**—**	**(126)**	**—**	**—**	**—**	**—**	**(126)**
Charge-offs	**(14,532)**	**(1,395)**	**(2,245)**	**(1,355)**	**(12,228)**	**(880)**	**(32,635)**
Recoveries	**1,457**	**5,631**	**541**	**2,075**	**3,069**	**202**	**12,975**
Provision for credit losses	**23,093**	**1,015**	**(277)**	**(189)**	**10,091**	**1,099**	**34,832**
Allowance for loan losses at period end	**$ 67,826**	**$ 60,267**	**$ 8,507**	**$ 7,194**	**$ 7,715**	**$ 1,261**	**$ 152,770**
Allowance for unfunded lending-related commitments at period end	**—**	**1,394**	**—**	**—**	**—**	**—**	**1,394**
Allowance for credit losses at period end	**$ 67,826**	**$ 61,661**	**$ 8,507**	**$ 7,194**	**$ 7,715**	**$ 1,261**	**$ 154,164**
By measurement method:							
Individually evaluated for impairment	**6,558**	**4,287**	**282**	**204**	**—**	**116**	**11,447**
Collectively evaluated for impairment	**60,749**	**57,329**	**8,225**	**6,894**	**7,715**	**1,145**	**142,057**
Loans acquired with deteriorated credit quality	**519**	**45**	**—**	**96**	**—**	**—**	**660**
Loans at period end:							
Individually evaluated for impairment	**$ 59,529**	**$ 33,274**	**$ 12,255**	**$ 22,064**	**$ —**	**$ 397**	**$ 127,519**
Collectively evaluated for impairment	**7,745,482**	**6,784,834**	**540,088**	**877,526**	**7,215,550**	**117,441**	**23,280,921**
Loans acquired with deteriorated credit quality	**23,527**	**115,144**	**—**	**9,017**	**167,903**	**2,803**	**318,394**
Loan held at fair value	**—**	**—**	**—**	**93,857**	**—**	**—**	**93,857**

Year Ended December 31, 2017 (Dollars in thousands)	**Commercial**	**Commercial Real Estate**	**Home Equity**	**Residential Real Estate**	**Premium Finance Receivable**	**Consumer and Other**	**Total, Excluding Covered Loans**
Allowance for credit losses							
Allowance for loan losses at beginning of period	$ 44,493	$ 51,422	$ 11,774	$ 5,714	$ 7,625	$ 1,263	$ 122,291
Other adjustments [(1)]	16	(155)	167	356	138	51	573
Reclassification to/from allowance for unfunded lending-related commitments	500	(431)	—	—	—	—	69
Charge-offs	(5,159)	(4,236)	(3,952)	(1,284)	(7,335)	(729)	(22,695)
Recoveries	1,870	2,190	746	452	2,128	299	7,685
Provision for credit losses	16,091	6,437	1,758	1,450	4,290	(44)	29,982
Allowance for loan losses at period end	$ 57,811	$ 55,227	$ 10,493	$ 6,688	$ 6,846	$ 840	$ 137,905
Allowance for unfunded lending-related commitments at period end	—	1,269	—	—	—	—	1,269
Allowance for credit losses at period end	$ 57,811	$ 56,496	$ 10,493	$ 6,688	$ 6,846	$ 840	$ 139,174
By measurement method:							
Individually evaluated for impairment	4,464	2,177	784	586	—	26	8,037
Collectively evaluated for impairment	52,820	53,938	9,709	5,979	6,846	814	130,106
Loans acquired with deteriorated credit quality	527	381	—	123	—	—	1,031
Loans at period end:							
Individually evaluated for impairment	$ 35,612	$ 38,534	$ 9,254	$ 21,253	$ —	$ 759	$ 105,412
Collectively evaluated for impairment	6,742,651	6,414,192	653,791	765,149	6,470,355	104,840	21,150,978
Loans acquired with deteriorated credit quality	9,414	127,892	—	12,001	199,269	2,114	350,690
Loan held at fair value	—	—	—	33,717	—	—	33,717

(1) *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.*

A summary of activity in the allowance for covered loan losses for the year ended December 31, 2017 is as follows:

(Dollars in thousands)		Year Ended December 31, 2017
Balance at beginning of period	$	1,322
Allowance for covered loan losses transferred to allowance for loan losses subsequent to loss share termination or expiration		(742)
Provision for covered loan losses before benefit attributable to FDIC loss share agreements		(1,063)
Benefit attributable to FDIC loss share agreements		1,592
Net provision for covered loan losses and transfer from allowance for covered loan losses to allowance for loan losses	$	(213)
Increase in FDIC indemnification liability		(1,592)
Loans charged-off		(517)
Recoveries of loans charged-off		1,000
Net recoveries	$	483
Balance at end of period	$	—

In conjunction with FDIC-assisted transactions, the Company entered into loss share agreements with the FDIC. Additional expected losses, to the extent such expected losses resulted in the recognition of an allowance for loan losses, increased the FDIC loss share asset or reduced any FDIC loss share liability. The allowance for loan losses for loans acquired in FDIC-assisted transactions was determined without giving consideration to the amounts recoverable through loss share agreements (since the loss share agreements are separately accounted for and thus presented "gross" on the balance sheet). On the Consolidated Statements of Income, the provision for credit losses was reported net of changes in the amount recoverable under the loss share agreements. Reductions to expected losses, to the extent such reductions to expected losses were the result of an improvement to the actual or expected cash flows from the covered assets, reduced the FDIC loss share asset or increased any FDIC loss share liability. Additions to expected losses required an increase to the allowance for loan losses, and a corresponding increase to the FDIC loss share asset or reduction to any FDIC loss share liability. See "FDIC-Assisted Bank Acquisitions" within Note 7, "Business Combinations and Asset Acquisitions," for more detail.

On October 16, 2017, the Company entered into agreements with the FDIC that terminated all existing loss share agreements with the FDIC. As a result, the allowance for covered loan losses previously measured is included within the allowance for credit losses, excluding covered loans, presented above for subsequent periods. See Note 7, "Business Combinations and Asset Acquisitions," for further discussion of the termination of FDIC loss share agreements.

Impaired Loans

A summary of impaired loans, including TDRs, at December 31, 2018 and 2017 is as follows:

(Dollars in thousands)		**2018**		2017
Impaired loans (included in non-performing and restructured loans):				
Impaired loans with an allowance for loan loss required [(1)]	**$**	**60,219**	$	36,084
Impaired loans with no allowance for loan loss required		**67,050**		69,004
Total impaired loans [(2)]	**$**	**127,269**	$	105,088
Allowance for loan losses related to impaired loans	**$**	**11,437**	$	8,023
TDRs		**66,102**		49,786
Reduction of interest income from non-accrual loans		**3,422**		2,373
Interest income recognized on impaired loans		**7,347**		6,298

(1) These impaired loans require an allowance for loan losses because the estimated fair value of the loans or related collateral is less than the recorded investment in the loans.
(2) Impaired loans are considered by the Company to be non-accrual loans, TDRs or loans with principal and/or interest at risk, even if the loan is current with all payments of principal and interest.

The following tables present impaired loans evaluated for impairment by loan class as of December 31, 2018 and 2017:

December 31, 2018 (Dollars in thousands)	As of Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Year Ended Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial, industrial and other	$ 16,703	$ 17,029	$ 4,866	$ 17,868	$ 1,181
Franchise	16,021	16,256	1,375	16,221	909
Asset-based lending	557	557	317	689	50
Leases	1,730	1,730	—	1,812	91
Commercial real estate					
Construction	1,554	1,554	550	1,554	76
Land	—	—	—	—	—
Office	573	638	21	587	25
Industrial	—	—	—	—	—
Retail	14,633	14,633	3,413	14,694	676
Multi-family	—	—	—	—	—
Mixed use and other	1,188	1,221	293	1,354	66
Home equity	3,133	3,470	282	3,165	131
Residential real estate	4,011	4,263	204	4,056	159
Consumer and other	116	129	116	119	7
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial, industrial and other	$ 18,314	$ 21,501	$ —	$ 20,547	$ 1,143
Franchise	5,152	5,154	—	5,320	403
Asset-based lending	207	601	—	569	51
Leases	845	879	—	936	56
Commercial real estate					
Construction	1,117	1,117	—	1,218	52
Land	3,396	3,491	—	3,751	198
Office	3,629	3,642	—	3,651	184
Industrial	322	450	—	363	30
Retail	1,592	1,945	—	1,699	110
Multi-family	1,498	1,595	—	1,529	55
Mixed use and other	3,522	3,836	—	3,611	227
Home equity	9,122	12,383	—	9,323	564
Residential real estate	18,053	20,765	—	18,552	883
Consumer and other	281	407	—	293	20
Total loans, net of unearned income	$ 127,269	$ 139,246	$ 11,437	$ 133,481	$ 7,347

December 31, 2017 (Dollars in thousands)	As of Recorded Investment	Unpaid Principal Balance	Related Allowance	For the Year Ended Average Recorded Investment	Interest Income Recognized
Impaired loans with a related ASC 310 allowance recorded					
Commercial					
Commercial, industrial and other	$ 6,233	$ 7,323	$ 3,951	$ 7,220	$ 452
Franchise	—	—	—	—	—
Asset-based lending	948	949	355	1,302	72
Leases	2,331	2,337	158	2,463	117
Commercial real estate					
Construction	3,097	3,897	403	3,690	197
Land	—	—	—		—
Office	471	471	5	481	24
Industrial	408	408	40	414	25
Retail	15,599	15,657	1,336	15,736	624
Multi-family	—	—	—	—	—
Mixed use and other	1,567	1,586	379	1,599	77
Home equity	1,606	1,869	784	1,626	81
Residential real estate	3,798	3,910	586	3,790	146
Consumer and other	26	28	26	27	2
Impaired loans with no related ASC 310 allowance recorded					
Commercial					
Commercial, industrial and other	$ 8,460	$ 12,259	$ —	$ 10,170	$ 683
Franchise	16,256	16,256	—	17,089	780
Asset-based lending	602	602	—	688	40
Leases	782	782	—	845	49
Commercial real estate					
Construction	1,367	1,678	—	1,555	84
Land	3,961	4,192	—	4,129	182
Office	2,438	6,140	—	3,484	330
Industrial	403	2,010	—	1,849	174
Retail	2,393	3,538	—	2,486	221
Multi-family	1,231	2,078	—	1,246	76
Mixed use and other	5,275	6,731	—	5,559	351
Home equity	7,648	11,648	—	9,114	603
Residential real estate	17,455	20,327	—	17,926	860
Consumer and other	733	890	—	773	48
Total loans, net of unearned income	$ 105,088	$ 127,566	$ 8,023	$ 115,261	$ 6,298

Average recorded investment in impaired loans for the years ended December 31, 2018, 2017, and 2016 were $133.5 million, $115.3 million, and $105.4 million, respectively. Interest income recognized on impaired loans was $7.3 million, $6.3 million and $5.5 million for the years ended December 31, 2018, 2017, and 2016, respectively.

TDRs

At December 31, 2018, the Company had $66.1 million in loans modified in TDRs. The $66.1 million in TDRs represents 134 credits in which economic concessions were granted to certain borrowers to better align the terms of their loans with their current ability to pay.

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

A modification of a loan, excluding PCI loans, with an existing credit risk rating of 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, our Managed Assets Division conducts an overall credit and collateral review. A modification of these loans is considered to be a TDR if both (1) the borrower is experiencing financial difficulty and (2) for economic or legal reasons, the bank grants a concession to a borrower that it would not otherwise consider. The modification of a loan, excluding PCI loans, where the credit risk rating is 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.

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

Each TDR was reviewed for impairment at December 31, 2018 and approximately $2.1 million of impairment was present and appropriately reserved for through the Company's normal reserving methodology in the Company's allowance for loan losses. For TDRs in which impairment is calculated by the present value of future cash flows, the Company records interest income representing the decrease in impairment resulting from the passage of time during the respective period, which differs from interest income from contractually required interest on these specific loans. For the years ended December 31, 2018 and 2017, the Company recorded $113,000 and $207,000, respectively, in interest income representing this decrease in impairment.

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, 2018, the Company had $4.9 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 $14.4 million and $9.8 million at December 31, 2018 and 2017, respectively.

The tables below present a summary of the post-modification balance of loans restructured during the years ended December 31, 2018, 2017, and 2016, which represent TDRs:

Year ended December 31, 2018	**Total (1)(2)**		**Extension at Below Market Terms (2)**		**Reduction of Interest Rate (2)**		**Modification to Interest-only Payments (2)**		**Forgiveness of Debt (2)**	
(Dollars in thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial										
Commercial, industrial and other	**4**	**$ 13,441**	**3**	**$ 691**	**—**	**$ —**	**1**	**$ 12,750**	**—**	**$ —**
Franchise	**3**	**5,157**	**1**	**35**	**—**	**—**	**2**	**5,122**	**—**	**—**
Asset-based lending	**1**	**130**	**1**	**130**	**—**	**—**	**—**	**—**	**—**	**—**
Leases	**1**	**239**	**1**	**239**	**—**	**—**	**—**	**—**	**—**	**—**
Commercial real estate										
Office	**1**	**59**	**1**	**59**	**—**	**—**	**—**	**—**	**—**	**—**
Industrial	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Mixed use and other	**2**	**455**	**2**	**455**	**1**	**85**	**—**	**—**	**—**	**—**
Residential real estate and other	**59**	**9,762**	**58**	**9,523**	**27**	**2,789**	**—**	**—**	**1**	**239**
Total loans	**71**	**$ 29,243**	**67**	**$ 11,132**	**28**	**$ 2,874**	**3**	**$ 17,872**	**1**	**$ 239**

Year ended December 31, 2017	**Total (1)(2)**		**Extension at Below Market Terms (2)**		**Reduction of Interest Rate (2)**		**Modification to Interest-only Payments (2)**		**Forgiveness of Debt (2)**	
(Dollars in thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial										
Commercial, industrial and other	5	$ 3,775	1	$ 95	1	$ 2,272	3	$ 1,408	—	$ —
Franchise	3	16,256	—	—	—	—	3	16,256	—	—
Asset-based lending	—	—	—	—	—	—	—	—	—	—
Leases	—	—	—	—	—	—	—	—	—	—
Commercial real estate										
Office	—	—	—	—	—	—	—	—	—	—
Industrial	—	—	—	—	—	—	—	—	—	—
Mixed use and other	1	1,245	1	1,245	—	—	—	—	—	—
Residential real estate and other	12	3,049	10	2,925	8	2,643	1	55	1	69
Total loans	21	$ 24,325	12	$ 4,265	9	$ 4,915	7	$ 17,719	1	$ 69

Year ended December 31, 2016	**Total (1)(2)**		**Extension at Below Market Terms (2)**		**Reduction of Interest Rate (2)**		**Modification to Interest-only Payments (2)**		**Forgiveness of Debt (2)**	
(Dollars in thousands)	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**	**Count**	**Balance**
Commercial										
Commercial, industrial and other	3	$ 345	3	$ 345	—	$ —	—	$ —	1	$ 275
Franchise	—	—	—	—	—	—	—	—	—	—
Asset-based lending	—	—	—	—	—	—	—	—	—	—
Leases	2	2,949	2	2,949	—	—	—	—	—	—
Commercial real estate										
Office	1	450	1	450	—	—	—	—	—	—
Industrial	6	7,921	6	7,921	3	7,196	—	—	—	—
Mixed use and other	2	150	2	150	—	—	—	—	—	—
Residential real estate and other	7	1,082	5	841	6	850	2	470	—	—
Total loans	21	$ 12,897	19	$ 12,656	9	$ 8,046	2	$ 470	1	$ 275

(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, 2018, $29.2 million, or 71 loans, were determined to be TDRs, compared to $24.3 million, or 21 loans, and $12.9 million, or 21 loans, in the years ended 2017 and 2016, respectively. Of these loans extended at below market terms, the weighted average extension had a term of approximately 48 months in 2018 compared to 35 months in 2017 and 19 months in 2016. Further, the weighted average decrease in the stated interest rate for loans with a reduction of interest rate during the period was approximately 172 basis points, 485 basis points and 34 basis points during the years ended December 31, 2018, 2017, and 2016, respectively. Interest-only payment terms were approximately 7 months during the year ended 2018 compared to 11 months and 7 months for the years ended 2017 and 2016, respectively. Additionally, $8,000 of principal balance were forgiven on the loans noted above in 2018 compared to $73,000 of principal balance forgiven during 2017 and $300,000 of principal balance forgiven during 2016.

The tables below present a summary of all loans restructured in TDRs during the years ended December 31, 2018, 2017, and 2016, and such loans which were in payment default under the restructured terms during the respective periods:

	Year Ended December 31, 2018				Year Ended December 31, 2017				Year Ended December 31, 2016			
	Total (1)(3)		**Payments in Default (2)(3)**		Total (1)(3)		Payments in Default (2)(3)		Total (1)(3)		Payments in Default (2)(3)	
(Dollars in thousands)	**Count**	**Balance**	**Count**	**Balance**	Count	Balance	Count	Balance	Count	Balance	Count	Balance
Commercial												
Commercial, industrial and other	**4**	**$ 13,441**	**2**	**$ 174**	5	$ 3,775	4	$ 3,681	3	$ 345	1	$ 28
Franchise	**3**	**5,157**	**2**	**5,122**	3	16,256	—	—	—	—	—	—
Asset-based lending	**1**	**130**	**—**	**—**	—	—	—	—	—	—	—	—
Leases	**1**	**239**	**—**	**—**	—	—	—	—	2	2,949	—	—
Commercial real-estate												
Office	**1**	**59**	**—**	**—**	—	—	—	—	1	450	1	450
Industrial	**—**	**—**	**—**	**—**	—	—	—	—	6	7,921	5	7,347
Mixed use and other	**2**	**455**	**2**	**455**	1	1,245	1	1,245	2	150	1	16
Residential real estate and other	**59**	**9,762**	**9**	**1,957**	12	3,049	3	2,052	7	1,082	—	—
Total loans	**71**	**$ 29,243**	**15**	**$ 7,708**	21	$ 24,325	8	$ 6,978	21	$ 12,897	8	$ 7,841

(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, 2018, 2017 and 2016:

(Dollars in thousands)		**December 31, 2018**		December 31, 2017		December 31, 2016
Balance at beginning of year	**$**	**33,676**	$	19,103	$	9,092
Additions from loans sold with servicing retained		**33,071**		18,341		13,091
Additions from acquisitions		**13,806**		—		—
Estimate of changes in fair value due to:						
Payoffs and paydowns		**(5,039)**		(2,595)		(2,325)
Changes in valuation inputs or assumptions		**(331)**		(1,173)		(755)
Fair value at end of year	**$**	**75,183**	$	33,676	$	19,103
Unpaid principal balance of mortgage loans serviced for others	**$**	**6,545,870**	$	2,929,133	$	1,784,760

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 Company does not specifically hedge the value of its MSRs.

Fair values are 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 and Asset Acquisitions

Non-FDIC Assisted Bank Acquisitions

On December 7, 2018, the Company completed its acquisition of certain assets and the assumption of certain liabilities of AEB. Through this asset acquisition, the Company acquired approximately $164.0 million in assets, including approximately $119.3 million in loans, and approximately $150.8 million in deposits.

On August 1, 2018, the Company completed its acquisition of CSC. CSC was the parent company of Delaware Place Bank. Through this business combination, the Company acquired Delaware Place Bank's one banking location in Chicago, Illinois, approximately $282.8 million in assets, including approximately $152.7 million in loans, and approximately $213.1 million in deposits. Additionally, the Company recorded goodwill of $26.5 million on the acquisition.

On November 18, 2016, the Company acquired FCFC. FCFC was the parent company of First Community Bank, Through this transaction, the Company acquired First Community Bank's two banking locations in Elgin, Illinois. First Community Bank was merged into the Company's wholly-owned subsidiary St. Charles Bank. The Company acquired assets with a fair value of approximately $187.3 million, including approximately $79.5 million of loans, and assumed deposits with a fair value of approximately $150.3 million. Additionally, the Company recorded goodwill of $13.8 million on the acquisition.

On August 19, 2016, the Company, through its wholly-owned subsidiary Lake Forest Bank, acquired approximately $561.4 million in performing loans and related relationships from an affiliate of GE Capital Franchise Finance, which were added to the Company's existing franchise finance portfolio. The loans are to franchise operators (primarily quick service restaurant concepts) in the Midwest and in the Western portion of the United States.

On March 31, 2016, the Company acquired Generations. Generations was the parent company of Foundations Bank, which had one banking location in Pewaukee, Wisconsin. Foundations Bank was merged into the Company's wholly-owned subsidiary Town Bank. The Company acquired assets with a fair value of approximately $134.2 million, including approximately $67.4 million of loans, and assumed deposits with a fair value of approximately $100.2 million. Additionally, the Company recorded goodwill of $11.5 million on the acquisition.

FDIC Assisted Bank Acquisitions

From 2010 to 2012, the Company acquired the banking operations, including the acquisition of certain assets and the assumption of liabilities, of nine financial institutions in FDIC-assisted transactions. Loans comprised the majority of the assets acquired in nearly all of these FDIC-assisted transactions, of which eight such transactions were subject to loss sharing agreements with the FDIC whereby the FDIC agreed to reimburse the Company for 80% of losses incurred on the purchased loans, other real estate owned ("OREO"), and certain other assets. Additionally, clawback provisions within these loss share agreements with the FDIC required the Company to reimburse the FDIC in the event that actual losses on covered assets were lower than the original loss estimates agreed upon with the FDIC with respect of such assets in the loss share agreements. The Company refers to the loans subject to these loss sharing agreements as "covered loans" and uses the term "covered assets" to refer to covered loans, covered OREO and certain other covered assets during periods subject to such agreements.

As of dates subject to such agreements, the loans covered by the loss share agreements were classified and presented as covered loans and the estimated reimbursable losses were recorded as an FDIC indemnification asset or liability in the Consolidated Statements of Condition. The Company recorded the acquired assets and liabilities at their estimated fair values at the acquisition date. The fair value for loans reflected expected credit losses at the acquisition date. Therefore, the Company only recognized a provision for credit losses and charge-offs on the acquired loans for any further credit deterioration subsequent to the acquisition date. See Note 5, "Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans," for further discussion of the allowance on covered loans.

The loss share agreements with the FDIC covered realized losses on loans, foreclosed real estate and certain other assets and required the Company to record loss share assets and liabilities that were measured separately from the loan portfolios because they were not contractually embedded in the loans and were not transferable with the loans should the Company have chosen to dispose of them. Fair values at the acquisition dates were estimated based on projected cash flows available for loss share based on the credit adjustments estimated for each loan pool and the loss share percentages. The loss share assets and liabilities were recorded as FDIC indemnification assets and other liabilities, respectively, on the Consolidated Statements of Condition as of dates covered by loss share agreements. Subsequent to the acquisition date, reimbursements received from the FDIC for actual incurred losses reduced the FDIC indemnification assets. Reductions to expected losses, to the extent such reductions to expected losses were the result of an improvement to the actual or expected cash flows from the covered assets, also reduced the FDIC indemnification assets and, if necessary, increased any loss share liability when necessary reductions exceeded the current value of the FDIC indemnification assets. In accordance with the clawback provision noted above, the Company was required to reimburse the FDIC when actual losses were less than certain thresholds established for each loss share agreement. The balance of these estimated reimbursements in accordance with clawback provisions and any related amortization were adjusted periodically for changes in the expected losses on covered assets. On the Consolidated Statements of Condition as of dates subject to loss share agreements, estimated reimbursements from clawback provisions were recorded as a reduction to the FDIC indemnification asset or, if necessary, an increase to the loss share liability, which was included within accrued interest payable and other liabilities. In the second quarter of 2017, the Company recorded a $4.9 million reduction to the estimated loss share liability as a result of an adjustment related to such clawback provisions. Although these assets were contractual receivables from the FDIC and these liabilities were contractual payables to the FDIC, there were no contractual interest rates. Additional expected losses, to the extent such expected losses resulted in recognition of an allowance for covered loan losses, increased the FDIC indemnification asset or reduced the FDIC indemnification liability. The corresponding amortization was recorded as a component of non-interest income on the Consolidated Statements of Income during periods covered by the loss share agreements.

The following table summarizes the activity in the Company's FDIC loss share liability during the periods indicated:

(Dollars in thousands)	Year Ended December 31, 2017	
Balance at beginning of period	$	16,701
Reductions from reimbursable expenses		(291)
Amortization		1,044
Changes in expected reimbursements from the FDIC for changes in expected credit losses		(1,658)
Resolution through payments paid to the FDIC and termination of loss share agreements		(15,796)
Balance at end of period	$	—

On October 16, 2017, the Company entered into agreements with the FDIC that terminated all existing loss share agreements with the FDIC. Under the terms of the agreements, the Company made a net payment of $15.2 million to the FDIC as consideration for the early termination of the loss share agreements. The Company recorded a pre-tax gain of approximately $0.4 million to write off the remaining loss share asset, relieve the claw-back liability and recognize the payment to the FDIC.

Wealth Management Acquisitions

On December 14, 2018. the Company acquired Elektra, the parent company of CDEC. CDEC is a provider of Qualified Intermediary services (as defined by U.S. Treasury regulations) for taxpayers seeking to structure tax-deferred like-kind exchanges under Internal Revenue Code Section 1031. CDEC has successfully facilitated more than 8,000 like-kind exchanges in the past decade for taxpayers nationwide. 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. The Company recorded goodwill of $37.6 million on the acquisition.

Mortgage Banking Acquisitions

On January 4, 2018, the Company acquired Veterans First with assets including mortgage-servicing-rights on approximately 10,000 loans, totaling an estimated $1.6 billion in unpaid principal balance. The Company recorded goodwill of $9.1 million on the acquisition.

On February 14, 2017, the Company acquired certain assets and assumed certain liabilities of the mortgage banking business of American Homestead Mortgage, LLC ("AHM"). The Company recorded goodwill of $1.0 million on the acquisition.

PCI loans

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

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

The Company purchased a portfolio of life insurance premium finance receivables in 2009. These purchased life insurance premium finance receivables are valued on an individual basis. If credit related conditions deteriorate, an allowance related to these loans will be established as part of the provision for credit losses.

See Note 4, “Loans,” for more information on loans acquired with evidence of credit quality deterioration since origination.

(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, 2018	Goodwill Acquired	Impairment Loss	Goodwill Adjustments	December 31, 2018
Community banking	$ 429,520	$ 35,565	$ —	$ —	**$ 465,085**
Specialty finance	40,250	—	—	(1,907)	**38,343**
Wealth management	32,114	37,599	—	—	**69,713**
Total	$ 501,884	$ 73,164	$ —	$ (1,907)	**$ 573,141**

The community banking segment's goodwill increased $35.6 million in 2018 as a result of the acquisition of CSC and Veterans First. The specialty finance segment's goodwill decreased $1.9 million in 2018 as a result of foreign currency translation adjustments related to the Canadian acquisitions. The wealth management segment's goodwill increased $37.6 million in 2018 as a result of the acquisition of CDEC.

A summary of finite-lived intangible assets as of the dates shown and the expected amortization as of December 31, 2018 is as follows:

(Dollars in thousands)	December 31, 2018	December 31, 2017
Community banking segment:		
Core deposit and other intangibles:		
Gross carrying amount	**$ 55,366**	$ 37,272
Accumulated amortization	**(29,406)**	(25,427)
Net carrying amount	**$ 25,960**	$ 11,845
Trademark with indefinite lives:		
Carrying amount	**5,800**	—
Total net carrying amount	**$ 31,760**	$ 11,845
Specialty finance segment:		
Customer list intangibles:		
Gross carrying amount	**$ 1,958**	$ 1,972
Accumulated amortization	**(1,436)**	(1,298)
Net carrying amount	**$ 522**	$ 674
Wealth management segment:		
Customer list and other intangibles:		
Gross carrying amount	**$ 20,430**	$ 7,940
Accumulated amortization	**(3,288)**	(2,838)
Net carrying amount	**$ 17,142**	$ 5,102
Total other intangible assets, net	**$ 49,424**	$ 17,621

Estimated amortization for the year-ended:	
2019	**$ 11,342**
2020	**9,582**
2021	**6,385**
2022	**4,957**
2023	**3,621**

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.

Total amortization expense associated with finite-lived intangibles in 2018, 2017 and 2016 was $4.6 million, $4.4 million and $4.8 million, respectively.

(9) Premises and Equipment, Net

A summary of premises and equipment at December 31, 2018 and 2017 is as follows:

(Dollars in thousands)	December 31, 2018	December 31, 2017
Land	**$ 164,232**	$ 147,704
Buildings and leasehold improvements	**586,968**	555,636
Furniture, equipment, and computer software	**201,055**	203,657
Construction in progress	**16,179**	6,962
	$ 968,434	$ 913,959
Less: Accumulated depreciation and amortization	**297,265**	292,064
Total premises and equipment, net	**$ 671,169**	$ 621,895

Depreciation and amortization expense related to premises and equipment totaled $33.2 million in 2018, $31.5 million in 2017 and $32.1 million in 2016.

(10) Deposits

The following is a summary of deposits at December 31, 2018 and 2017:

(Dollars in thousands)	2018	2017
Balance:		
Non-interest bearing	**$ 6,569,880**	$ 6,792,497
NOW and interest bearing demand deposits	**2,897,133**	2,315,055
Wealth management deposits	**2,996,764**	2,323,699
Money market	**5,704,866**	4,515,353
Savings	**2,665,194**	2,829,373
Time certificates of deposit	**5,260,841**	4,407,370
Total deposits	**$ 26,094,678**	$ 23,183,347
Mix:		
Non-interest bearing	**25%**	29%
NOW and interest bearing demand deposits	**11**	10
Wealth management deposits	**12**	10
Money market	**22**	20
Savings	**10**	12
Time certificates of deposit	**20**	19
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, 2018 and 2017 are as follows:

(Dollars in thousands)	2018	2017
Due within one year	**$ 3,213,010**	$ 3,167,220
Due in one to two years	**1,251,446**	969,130
Due in two to three years	**710,836**	127,548
Due in three to four years	**47,979**	98,952
Due in four to five years	**37,563**	44,206
Due after five years	**7**	314
Total time certificate of deposits	**$ 5,260,841**	$ 4,407,370

The following table sets forth the scheduled maturities of time deposits in denominations of $100,000 or more at December 31, 2018 and 2017:

(Dollars in thousands)	2018	2017
Maturing within three months	**$ 682,940**	$ 695,904
After three but within six months	**667,079**	614,963
After six but within 12 months	**921,547**	820,285
After 12 months	**1,350,717**	784,798
Total	**$ 3,622,283**	$ 2,915,950

Time deposits in denominations of $250,000 or more were $1.6 billion and $1.3 billion at December 31, 2018 and 2017, respectively.

(11) Federal Home Loan Bank Advances

A summary of the outstanding FHLB advances at December 31, 2018 and 2017, is as follows:

(Dollars in thousands)	2018	2017
1.44% advance due January 2018	$ —	$ 250,000
1.49% advance due February 2018	—	94,663
1.57% advance due June 2019	1,991	—
1.75% advance due June 2020	3,940	—
1.72% advance due June 2020	2,461	—
1.88% advance due June 2021	2,934	—
4.18% advance due February 2022	25,000	25,000
1.52% advance due March 2022	50,000	50,000
1.45% advance due May 2022	50,000	50,000
1.46% advance due May 2022	90,000	90,000
1.98% advance due January 2023	100,000	—
0.93% advance due January 2028	100,000	—
Total FHLB advances	$ 426,326	$ 559,663

FHLB advances consist of obligations of the banks and are collateralized by qualifying 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 $2.8 billion at December 31, 2018.

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 $365.0 million of the FHLB advances outstanding at December 31, 2018, have varying put or call dates ranging from January 2019 to January 2020. At December 31, 2018, the weighted average contractual interest rate on FHLB advances was 1.63%.

(12) Subordinated Notes

At December 31, 2018, the Company had outstanding subordinated notes totaling $139.2 million compared to $139.1 million at December 31, 2017. 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 2014, the Company incurred costs totaling $1.3 million. 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, 2018, the unamortized balances of these costs were approximately $790,000. 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, 2018 and 2017:

(Dollars in thousands)	2018	2017
Notes payable	$ 144,461	$ 41,222
Short-term borrowings	50,593	17,209
Other	47,722	49,131
Secured borrowings	151,079	158,561
Total other borrowings	$ 393,855	$ 266,123

Notes Payable

On September 18, 2018, the Company established a $150.0 million term facility ("Term Facility"), which is part of a $200.0 million 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 $50.0 million revolving credit facility ("Revolving Credit Facility"). At December 31, 2018, the Company had a notes payable balance of $144.5 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. Beginning December 31, 2018, the Company is required to make quarterly payments of principal plus interest on the Term Facility. At December 31, 2018, the Company had no outstanding balance under the Revolving Credit Facility. As no outstanding balance exists on the Revolving Credit Facility, unamortized costs paid by the Company in relation to the issuance of this debt are classified in other assets on the Consolidated Statements of Condition.

Borrowings under the Credit Agreement that are considered “Base Rate Loans” bear interest at a rate equal to the sum of (1) 50 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 federal funds rate plus 50 basis points, (b) the lender's prime rate, and (c) the Eurodollar Rate (as defined below) that would be applicable for an interest period of one month plus 100 basis points. Borrowings under the agreement that are considered “Eurodollar Rate Loans” bear interest at a rate equal to the sum of (1) 125 basis points (in the case of a borrowing under the Revolving Credit Facility) or 125 basis points (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 0.20% 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 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, 2018, 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.

In connection with the establishment of the Credit Agreement, all outstanding notes payable under a $150.0 million loan agreement with unaffiliated banks dated December 15, 2014 (as subsequently amended) were paid in full. This loan agreement consisted of a term facility with an original outstanding balance of $75.0 million and a $75.0 million revolving credit facility. The Company had a balance under this loan agreement of $41.2 million at December 31, 2017.

Short-term Borrowings

Short-term borrowings include securities sold under repurchase agreements and federal funds purchased. These borrowings totaled $50.6 million and $17.2 million at December 31, 2018 and 2017, respectively. At December 31, 2018 and 2017, securities sold under repurchase agreements represent $50.6 million and $17.2 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, 2018, the Company had pledged securities related to its customer balances in sweep accounts of $62.8 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 agency and mortgage-backed securities. These securities are included in the available-for-sale and held-to-maturity securities portfolios as reflected on the Company’s Consolidated Statements of Condition.

The following is a summary of these securities pledged as of December 31, 2018 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	
Mortgage-backed securities	**$ 21,059**
Held-to-maturity securities pledged	
U.S. Government agencies	**41,723**
Total collateral pledged	**$ 62,782**
Excess collateral	**12,189**
Securities sold under repurchase agreements	**$ 50,593**

Other Borrowings

Other borrowings at December 31, 2018 and 2017 represent a fixed-rate promissory note issued by the Company in June 2017 (“Fixed-Rate Promissory Note”) related to and secured by two office buildings owned by the Company, and non-recourse notes issued by the Company to other banks related to certain capital leases. At December 31, 2018, the Fixed-Rate Promissory Note had a balance of $47.7 million. Under the Fixed-Rate Promissory Note, the Company will make monthly principal payments and pay interest at a fixed rate of 3.36% until maturity on June 30, 2022. 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, 2018, the Company was in compliance with all such covenants. A previous fixed-rate promissory note with an unrelated creditor related to and secured by an office building owned by the Company was paid off upon the Company's issuance of the Fixed-Rate Promissory Note. Additionally, at December 31, 2017, other borrowings included non-recourse notes related to certain capital leases totaling $151,000.

Secured Borrowings

Secured borrowings at December 31, 2018 primarily represents 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. 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, 2018, the translated balance of the secured borrowing totaled $139.3 million compared to $135.1 million at December 31, 2017. Additionally, the interest rate under the Receivables Purchase Agreement at December 31, 2018 was 2.936%. The remaining $11.8 million within secured borrowings at December 31, 2018 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, 2018, 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 and CFIS, 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.

In January 2016, the Company acquired $15.0 million of the $40.0 million of trust preferred securities issued by Wintrust Capital Trust VIII from a third-party investor. The purchase effectively extinguished $15.0 million of junior subordinated debentures related to Wintrust Capital Trust VIII and resulted in a $4.3 million gain from the early extinguishment of debt.

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, 2018 and 2017. 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 2018	Junior Subordinated Debentures 2017	Rate Structure	Contractual rate at 12/31/2018	Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	$ 774	$ 25,000	**$ 25,774**	$ 25,774	L+3.25	5.69%	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	**20,619**	20,619	L+2.80	5.60	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	**41,238**	41,238	L+2.60	5.40	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	**51,550**	51,550	L+1.95	4.74	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	25,000	**26,238**	26,238	L+1.45	4.25	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	1,547	50,000	**51,547**	51,547	L+1.63	4.42	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	**6,186**	6,186	L+3.00	5.54	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	**6,186**	6,186	L+3.00	5.54	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	**5,155**	5,155	L+3.00	5.80	05/2004	05/2034	05/2009
Suburban Illinois Capital Trust II	464	15,000	**15,464**	15,464	L+1.75	4.54	12/2006	12/2036	12/2011
Community Financial Shares Statutory Trust II	109	3,500	**3,609**	3,609	L+1.62	4.41	06/2007	09/2037	06/2012
Total			**$ 253,566**	$ 253,566		4.94%			

The junior subordinated debentures totaled $253.6 million at December 31, 2018 and 2017.

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, 2018, the weighted average contractual interest rate on the junior subordinated debentures was 4.94%. 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, 2018, 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

As of January 1, 2018, the Company adopted ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," and all subsequent updates issued to clarify and improve specific areas of ASU 2014-09. The Company elected to adopt the new guidance using the modified retrospective approach applied to all contracts as of the date of initial application at January 1, 2018. Under the modified retrospective approach, the Company recognized no cumulative effect adjustment to the opening balance of retained earnings at the date of initial application.

Disaggregation of Revenue

As certain significant revenue sources related to financial instruments such as interest income are considered not in-scope, ASU 2014-09 did not have a significant impact on the Company's consolidated financial statements. The following table presents revenue from contracts with customers, considered in-scope under ASU 2014-09, disaggregated by the revenue source:

(Dollars in thousands)		Years Ended		
Revenue from contracts with customers	**Location in income statement**	**December 31, 2018**	December 31, 2017	December 31, 2016
Brokerage and insurance product commissions	Wealth management	**$ 22,391**	$ 22,863	$ 25,519
Trust	Wealth management	**13,263**	12,547	11,993
Asset management	Wealth management	**55,309**	46,356	38,506
Total wealth management		**90,963**	81,766	76,018
Mortgage broker fees	Mortgage banking	**1,188**	1,565	2,834
Service charges on deposit accounts	Service charges on deposit accounts	**36,404**	34,513	31,210
Administrative services	Other non-interest income	**4,625**	4,165	4,409
Card related fees	Other non-interest income	**7,441**	5,858	5,495
Other deposit related fees	Other non-interest income	**11,892**	11,127	9,555

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, 2018**		December 31, 2017
Contract assets	**$**	**—**	$	—
Contract liabilities	**$**	**1,727**	$	1,706
Mortgage broker fees receivable	**$**	**44**	$	69
Administrative services receivable		**275**		—
Wealth management receivable		**13,610**		8,102
Card related fees receivable		**—**		202
Total receivables from contracts with customer	**$**	**13,929**	**$**	**8,373**

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 $369,000 and $359,000 for the years ended December 31, 2018 and 2017, 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—2019	**$**	**759**
Estimated—2020		**369**
Estimated—2021		**303**
Estimated—2022		**153**
Estimated—2023		**143**
Total	**$**	**1,727**

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) Minimum Lease Commitments

The Company occupies certain facilities under operating lease agreements. Gross rental expense related to the Company's operating leases were $21.2 million in 2018, $17.7 million in 2017, and $17.4 million in 2016. The Company also leases certain owned premises and receives rental income from such lease agreements. Gross rental income related to the Company's buildings totaled $11.8 million, $9.8 million and $8.9 million, in 2018, 2017 and 2016, respectively. The approximate minimum annual gross rental payments and gross rental receipts under noncancelable agreements for office space with remaining terms in excess of one year as of December 31, 2018, are as follows (in thousands):

	Payments	Receipts
2019	$ **15,106**	$ **7,533**
2020	**16,406**	**5,576**
2021	**15,116**	**5,081**
2022	**14,253**	**3,636**
2023	**13,201**	**2,117**
2024 and thereafter	**131,615**	**5,233**
Total minimum future amounts	$ **205,697**	$ **29,176**

(17) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2018, 2017 and 2016 is summarized as follows:

	Years Ended December 31,		
(Dollars in thousands)	**2018**	2017	2016
Current income taxes:			
Federal	$ **44,266**	$ 54,977	$ 98,272
State	**18,349**	12,852	20,041
Foreign	**(872)**	1,243	(10)
Total current income taxes	$ **61,743**	$ 69,072	$ 118,303
Deferred income taxes:			
Federal	$ **40,500**	$ 51,668	$ 4,464
State	**11,705**	10,403	(14)
Foreign	**3,019**	1,172	2,226
Total deferred income taxes	$ **55,224**	$ 63,243	$ 6,676
Total income tax expense	$ **116,967**	$ 132,315	$ 124,979

The Company's income before income taxes in 2018, 2017 and 2016 includes $5.3 million, $7.8 million and $7.0 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. In addition, a tax benefit of $230,000, related to stock-based compensation, reflecting the excess of realized tax benefits over expected tax benefits, was recorded directly to shareholders' equity in 2016. Beginning in 2017, excess tax benefits on stock-based compensation were recorded in tax expense. 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:

(Dollars in thousands)	Years Ended December 31, 2018	2017	2016
Income tax expense using the statutory Federal income tax rate of 21% in 2018, and 35% in 2017 and 2016, on income before income taxes	**$ 96,628**	$ 136,499	$ 116,149
Increase (decrease) in tax resulting from:			
Tax-exempt interest, net of interest expense disallowance	**(3,869)**	(4,658)	(3,634)
State taxes, net of federal tax benefit	**23,584**	15,115	13,017
Income earned on bank owned life insurance	**(1,002)**	(1,167)	(1,198)
Excess tax benefits on share based compensation	**(3,107)**	(5,470)	—
Enactment of Tax Cuts and Jobs Act			
Re-measurement of net deferred tax liabilities	**(1,209)**	(10,402)	—
Transition tax on deferred foreign earnings	**—**	2,850	—
Meals, entertainment and related expenses	**1,840**	1,710	1,439
FDIC insurance expense	**1,832**	—	—
Non-deductible compensation expense	**1,366**	55	77
Foreign subsidiary, net	**1,591**	(271)	(264)
Tax benefits related to tax credit investments, net	**(656)**	(698)	(572)
Other, net	**(31)**	(1,248)	(35)
Income tax expense	**$ 116,967**	$ 132,315	$ 124,979

In 2017, the Company recognized a provisional tax benefit of $7.6 million to reflect the impact of enactment of the Tax Act. In the third quarter 2018, the Company finalized the provisional amount and recorded an additional net tax benefit of $1.2 million as provided in the SEC issued Staff Accounting Bulletin SAB 118.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2018 and 2017 are as follows:

(Dollars in thousands)	**2018**	2017
Deferred tax assets:		
Allowance for credit losses	**$ 40,342**	$ 36,442
Deferred compensation	**22,363**	12,310
Net unrealized losses on securities included in other comprehensive income	**15,430**	7,465
Stock-based compensation	**7,544**	6,898
Federal net operating loss carryforward	**5,348**	3,063
Loans	**4,540**	4,943
Other real estate owned	**2,429**	4,019
AMT credit carryforward	**1,395**	1,199
Nonaccrued interest	**1,357**	983
Mortgage banking recourse obligation	**632**	722
Other	**3,744**	2,307
Total gross deferred tax assets	**105,124**	80,351
Deferred tax liabilities:		
Equipment leasing	**90,306**	42,681
Premises and equipment	**28,517**	23,211
Capitalized servicing rights	**16,663**	8,916
Goodwill and intangible assets	**12,921**	7,619
Deferred loan fees and costs	**3,446**	3,531
Net unrealized gains on derivatives included in other comprehensive income	**2,863**	3,197
Fair value adjustments on loans	**2,833**	3,143
Other	**5,295**	3,433
Total gross deferred liabilities	**162,844**	95,731
Net deferred tax liabilities	**$ (57,720)**	$ (15,380)

Management has determined that a valuation allowance is not required for the deferred tax assets at December 31, 2018 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 a Federal alternative minimum tax (“AMT”) credit carryforward of $1.4 million which is subject to IRC Section 383 annual limitation. The AMT credit has no expiration date and pursuant to the Tax Act will be fully refundable by 2021. The Company has a Federal net operating loss (“NOL”) carryforward of $25.5 million that begins to expire in 2029 through 2037 and is subject to IRC Section 382 annual limitation. The AMT credit and 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)	**2018**	2017	2016
Unrecognized tax benefits at beginning of year	**$ 10,821**	$ 11,626	$ —
Gross increases for tax positions taken in current period	**—**	—	—
Gross increases (decreases) for positions taken in prior periods	**717**	(805)	11,626
Unrecognized tax benefits at end of the year	**$ 11,538**	$ 10,821	$ 11,626

At December 31, 2018, the Company had $9.3 million of 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. Total interest income accrued at December 31, 2018 and 2017 on unrecognized tax benefits was $1.1 million and $921,000, respectively, net of tax effect. 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 or decrease in the next twelve 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 2015 tax return year forward, and in general, the Company's state income tax returns are open and subject to audit from the 2015 tax return year forward, subject to individual state statutes of limitation. The Company's Canadian subsidiary's Canadian income tax returns are also subject to audit for the 2015 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, 2018, approximately 3.4 million 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 nonqualified stock options and time-vested restricted share unit awards ("restricted shares"). In general, the grants of options provide for the purchase shares of the Company's common stock at the fair market value of the stock on the date the options are granted. Options under the 2015 Plan and the 2007 Plan generally vest ratably over periods of three to five years and have a maximum term of seven years from the date of grant. 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. It is anticipated that LTIP awards will continue to be granted annually. LTIP grants to date have consisted of time-vested nonqualified stock options and performance-based stock and performance-based cash awards. Stock options granted under the LTIP have a term of seven years and will generally vest equally over three years based on continued service. Performance-based stock and cash awards granted under the LTIP are contingent upon the achievement of pre-established long-term performance goals set in advance by the Compensation Committee over a three-year period. 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 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, unvested awards granted under the Plans are canceled upon termination of employment without any payment of consideration by the Company.

Stock-based compensation is measured as the fair value of an award on the date of grant, and the measured cost is recognized over the period which the recipient is required to provide service in exchange for the award. The fair values of restricted share and performance-based stock awards are determined based on the average of the high and low trading prices on the grant date, and the fair value of stock options is estimated using a Black-Scholes option-pricing model that utilizes the assumptions outlined in the following table. Option-pricing models require the input of highly subjective assumptions and are sensitive to changes in the option's expected life and the price volatility of the underlying stock, which can materially affect the fair value estimate. Options granted since the inception of the LTIP in 2011 were primarily granted as LTIP awards. Expected life of the options granted since the inception of the LTIP awards has been based on the safe harbor rule of the SEC Staff Accounting Bulletin No. 107 "Share-Based Payment" as the Company believes historical exercise data may not provide a reasonable basis to estimate the expected term of these options. Expected stock price volatility is based on historical volatility of the Company's common stock, which correlates with the expected life of the options, and the risk-free interest rate is based on comparable U.S. Treasury rates. Management reviews and adjusts the assumptions used to calculate the fair value of an option on a periodic basis to better reflect expected trends.

The following table presents the weighted average assumptions used to determine the fair value of options granted in the year ended December 31, 2016. No options were granted in the years ended December 31, 2018 and 2017.

	2016
Expected dividend yield	0.9%
Expected volatility	25.2%
Risk-free rate	1.3%
Expected option life (in years)	4.5

Stock based compensation is recognized based on the number of awards that are ultimately expected to vest. Forfeitures are estimated based on historical forfeiture experience. For performance-based stock awards, an estimate is made of the number of shares expected to vest as a result of actual performance against the performance criteria to determine the amount of compensation expense to be recognized. The estimate is reevaluated quarterly and total compensation expense is adjusted for any change in the current period.

Stock-based compensation expense recognized in the Consolidated Statements of Income was $13.5 million, $12.9 million and $9.3 million and the related tax benefits were $3.1 million, $5.1 million and $3.7 million in 2018, 2017 and 2016, respectively.

A summary of the Plans' stock option activity for the years ended December 31, 2018, 2017 and 2016 is as follows:

Stock Options	Common Shares	Weighted Average Strike Price	Remaining Contractual Term[(1)]	Intrinsic Value[(2)] ($000)
Outstanding at January 1, 2016	1,551,734	$ 41.32		
Granted	562,166	41.04		
Exercised	(313,900)	37.71		
Forfeited or canceled	(101,088)	48.00		
Outstanding at December 31, 2016	1,698,912	$ 41.50	4.6	$ 52,790
Exercisable at December 31, 2016	703,892	$ 39.62	3.4	$ 23,195
Outstanding at January 1, 2017	1,698,912	$ 41.50		
Granted	—	—		
Exercised	(593,459)	40.57		
Forfeited or canceled	(20,697)	42.83		
Outstanding at December 31, 2017	1,084,756	$ 41.98	4.0	$ 43,817
Exercisable at December 31, 2017	562,810	$ 41.82	3.3	$ 22,820
Outstanding at January 1, 2018	**1,084,756**	**$ 41.98**		
Granted	**—**	**—**		
Exercised	**(282,614)**	**41.25**		
Forfeited or canceled	**(7,128)**	**39.84**		
Outstanding at December 31, 2018	**795,014**	**$ 42.25**	**3.1**	**$ 19,268**
Exercisable at December 31, 2018	**613,932**	**$ 42.54**	**3.1**	**$ 14,705**
Vested or expected to vest at December 31, 2018	**787,753**	**$ 42.26**	**3.1**	**$ 19,085**

(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 weighted average per share grant date fair value of options granted during the years ended December 31, 2016 was $8.61. The aggregate intrinsic value of options exercised during the years ended December 31, 2018, 2017 and 2016, was $13.3 million, $20.1 million and $5.8 million, respectively. The actual tax benefit realized for the tax deductions from option exercises totaled $3.5 million, $7.8 million and $2.3 million for 2018, 2017 and 2016, respectively. Cash received from option exercises under the Plans for the years ended December 31, 2018, 2017 and 2016 was $11.7 million, $24.1 million and $11.8 million, respectively.

A summary of the Plans' restricted share activity for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018		2017		2016	
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	**127,787**	**$ 53.33**	133,425	$ 49.94	137,593	$ 49.63
Granted	**35,654**	**84.36**	16,552	73.16	18,022	46.01
Vested and issued	**(18,324)**	**54.31**	(19,639)	47.13	(20,007)	44.91
Forfeited	**(1,854)**	**63.50**	(2,551)	52.26	(2,183)	44.18
Outstanding at end of year	**143,263**	**$ 60.80**	127,787	$ 53.33	133,425	$ 49.94
Vested, but not issuable at end of year	**90,520**	**$ 51.94**	89,723	$ 51.64	89,050	$ 51.47

A summary of the 2007 Plan's performance-based stock award activity, based on the target level of the awards, for the years ended December 31, 2018, 2017 and 2016 is as follows:

	2018		2017		2016	
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	**359,196**	**$ 54.37**	298,180	$ 43.64	276,533	$ 43.01
Granted	**134,380**	**88.27**	145,853	72.60	118,084	41.02
Vested and issued	**(82,307)**	**44.39**	(68,712)	46.85	(78,410)	37.90
Expired, canceled or forfeited	**(14,414)**	**60.05**	(16,125)	52.98	(18,027)	41.83
Outstanding at end of year	**396,855**	**$ 67.71**	359,196	$ 54.37	298,180	$ 43.64
Vested, but deferred at year end	**21,530**	**$ 43.54**	108,143	$ 44.16	6,672	$ 37.98

At December 31, 2018, the maximum number of performance-based shares that could be issued on outstanding awards if performance is attained at the maximum amount was approximately 585,518 shares.

The actual tax benefit realized upon the vesting 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 of restricted shares and performance-based stock in 2018, 2017 and 2016 was $994,000, $975,000 and $241,000, respectively, more than the expected tax benefit for those shares. These differences in actual and expected tax benefits were recorded to tax expense in 2018 and 2017 and directly to shareholders' equity in 2016.

As of December 31, 2018, there was $15.4 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, 2018, 2017 and 2016 was $8.0 million, $8.9 million and $8.4 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 2018, 2017 and 2016, and no awards were paid in those years. There were no outstanding awards under this plan at December 31, 2018.

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. Generally, participants completing 501 hours of service 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 $10.4 million in 2018, $8.9 million in 2017, and $6.6 million in 2016.

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 2018, 2017 and 2016, 33,977, 35,022 and 50,920, respectively, shares of common stock 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 2018, increased the shares authorized under the ESPP by 200,000 shares. At December 31, 2018, the Company had an obligation to issue 10,807 shares of common stock to participants and had 216,063 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"). The HPK Plan was "frozen" as of December 31, 2006, with no additional years of credit earned for service or compensation paid. As of December 31, 2018, the projected benefit obligation was $4.9 million and the fair value of the plan's assets was $4.7 million. Similarly, in connection with the Company's acquisition of 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. As of December 31, 2018, the projected benefit obligation was $2.7 million and the fair value of the plan's assets was $1.6 million. The Company has accrued liabilities for the unfunded portions of these plans. The Company recorded (income) expense of $(38,000), $1.2 million and $526,000 in 2018, 2017 and 2016, respectively, related to these plans.

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 2018, 2017 and 2016, a total of 18,856 shares, 27,508 shares and 25,362 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, 2018, the Company has an obligation to issue 281,910 shares of common stock to directors and has 74,206 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 2018, 2017 and 2016, cash dividends totaling $111.0 million, $122.0 million and $59.0 million, respectively, were paid to Wintrust by the banks and other subsidiaries. As of January 1, 2019, the banks had approximately $350.4 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. At December 31, 2018 and 2017, reserve balances of approximately $611.1 million and $557.7 million, respectively, were 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 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, 2018 and 2017:

	2018	2017
Total capital to risk weighted assets	11.6%	12.0%
Tier 1 capital to risk weighted assets	9.7	9.9
Common Equity Tier 1 capital to risk weighted assets	9.3	9.4
Tier 1 leverage Ratio	9.1	9.3

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, 2018, 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, 2018 and 2017 are presented in the following table:

(Dollars in thousands)	**December 31, 2018**				December 31, 2017			
	Actual		**To Be Well Capitalized by Regulatory Definition**		Actual		To Be Well Capitalized by Regulatory Definition	
	Amount	**Ratio**	**Amount**	**Ratio**	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):								
Lake Forest Bank	**$ 424,872**	**12.5%**	**$ 338,823**	**10.0%**	$ 366,407	11.6%	$ 317,180	10.0%
Hinsdale Bank	**256,166**	**11.9**	**220,004**	**10.0**	224,577	11.5	195,125	10.0
Wintrust Bank	**613,037**	**11.5**	**533,154**	**10.0**	512,581	11.2	456,230	10.0
Libertyville Bank	**161,453**	**11.9**	**135,262**	**10.0**	141,723	11.4	124,637	10.0
Barrington Bank	**258,301**	**11.1**	**231,871**	**10.0**	234,930	12.0	195,409	10.0
Crystal Lake Bank	**107,041**	**11.6**	**92,542**	**10.0**	95,532	11.3	84,664	10.0
Northbrook Bank	**236,201**	**11.1**	**213,524**	**10.0**	222,441	11.4	194,764	10.0
Schaumburg Bank	**113,797**	**11.4**	**100,151**	**10.0**	111,772	11.9	93,752	10.0
Village Bank	**151,653**	**11.2**	**135,695**	**10.0**	145,517	11.9	121,867	10.0
Beverly Bank	**146,054**	**11.8**	**123,618**	**10.0**	132,516	11.7	112,810	10.0
Town Bank	**208,479**	**11.3**	**184,825**	**10.0**	188,987	11.4	166,253	10.0
Wheaton Bank	**165,798**	**11.3**	**147,354**	**10.0**	151,141	11.4	132,211	10.0
State Bank of the Lakes	**111,530**	**11.1**	**100,654**	**10.0**	105,770	11.4	92,518	10.0
Old Plank Trail Bank	**151,889**	**11.4**	**132,842**	**10.0**	145,272	11.6	125,642	10.0
St. Charles Bank	**115,607**	**11.4**	**101,337**	**10.0**	105,778	11.4	92,582	10.0
Tier 1 Capital (to Risk Weighted Assets):								
Lake Forest Bank	**$ 402,156**	**11.9%**	**$ 271,058**	**8.0%**	$ 347,924	11.0%	$ 253,744	8.0%
Hinsdale Bank	**244,036**	**11.3**	**176,003**	**8.0**	214,061	11.0	156,100	8.0
Wintrust Bank	**545,649**	**10.2**	**426,523**	**8.0**	439,061	9.6	364,984	8.0
Libertyville Bank	**152,939**	**11.3**	**108,209**	**8.0**	134,310	10.8	99,709	8.0
Barrington Bank	**252,189**	**10.9**	**185,497**	**8.0**	229,311	11.7	156,327	8.0
Crystal Lake Bank	**102,404**	**11.1**	**74,033**	**8.0**	91,273	10.8	67,731	8.0
Northbrook Bank	**223,849**	**10.5**	**170,819**	**8.0**	198,628	10.2	155,811	8.0
Schaumburg Bank	**108,338**	**10.8**	**80,120**	**8.0**	105,733	11.3	75,001	8.0
Village Bank	**142,333**	**10.5**	**108,556**	**8.0**	136,807	11.2	97,494	8.0
Beverly Bank	**141,140**	**11.4**	**98,894**	**8.0**	127,561	11.3	90,248	8.0
Town Bank	**199,982**	**10.8**	**147,860**	**8.0**	180,943	10.9	133,003	8.0
Wheaton Bank	**159,718**	**10.8**	**117,883**	**8.0**	135,009	10.2	105,769	8.0
State Bank of the Lakes	**107,234**	**10.7**	**80,523**	**8.0**	95,520	10.3	74,014	8.0
Old Plank Trail Bank	**145,779**	**11.0**	**106,273**	**8.0**	139,366	11.1	100,514	8.0
St. Charles Bank	**111,454**	**11.0**	**81,069**	**8.0**	102,251	11.0	74,066	8.0
Common Equity Tier 1 Capital (to Risk Weighted Assets):								
Lake Forest Bank	**$ 402,156**	**11.9%**	**$ 220,235**	**6.5%**	$ 347,924	11.0%	$ 206,167	6.5%
Hinsdale Bank	**244,036**	**11.3**	**143,002**	**6.5**	214,061	11.0	126,831	6.5
Wintrust Bank	**545,649**	**10.2**	**346,550**	**6.5**	439,061	9.6	296,549	6.5
Libertyville Bank	**152,939**	**11.3**	**87,920**	**6.5**	134,310	10.8	81,014	6.5
Barrington Bank	**252,189**	**10.9**	**150,716**	**6.5**	229,311	11.7	127,016	6.5
Crystal Lake Bank	**102,404**	**11.1**	**60,152**	**6.5**	91,273	10.8	55,031	6.5
Northbrook Bank	**223,849**	**10.5**	**138,791**	**6.5**	198,628	10.2	126,597	6.5
Schaumburg Bank	**108,338**	**10.8**	**65,098**	**6.5**	105,733	11.3	60,939	6.5
Village Bank	**142,333**	**10.5**	**88,201**	**6.5**	136,807	11.2	79,214	6.5
Beverly Bank	**141,140**	**11.4**	**80,352**	**6.5**	127,561	11.3	73,327	6.5
Town Bank	**199,982**	**10.8**	**120,136**	**6.5**	180,943	10.9	108,065	6.5
Wheaton Bank	**159,718**	**10.8**	**95,780**	**6.5**	135,009	10.2	85,937	6.5
State Bank of the Lakes	**107,234**	**10.7**	**65,425**	**6.5**	95,520	10.3	60,137	6.5
Old Plank Trail Bank	**145,779**	**11.0**	**86,347**	**6.5**	139,366	11.1	81,667	6.5
St. Charles Bank	**111,454**	**11.0**	**65,869**	**6.5**	102,251	11.0	60,178	6.5

(Dollars in thousands)	**December 31, 2018**				December 31, 2017			
	Actual		**To Be Well Capitalized by Regulatory Definition**		Actual		To Be Well Capitalized by Regulatory Definition	
	Amount	**Ratio**	**Amount**	**Ratio**	Amount	Ratio	Amount	Ratio
Tier 1 Leverage Ratio:								
Lake Forest Bank	**$ 402,156**	**10.7%**	**$ 187,634**	**5.0%**	$ 347,924	10.3%	$ 168,865	5.0%
Hinsdale Bank	**244,036**	**10.4**	**117,308**	**5.0**	214,061	10.2	105,086	5.0
Wintrust Bank	**545,649**	**9.7**	**281,090**	**5.0**	439,061	9.2	237,782	5.0
Libertyville Bank	**152,939**	**10.0**	**76,247**	**5.0**	134,310	9.8	68,404	5.0
Barrington Bank	**252,189**	**12.9**	**97,759**	**5.0**	229,311	11.8	97,007	5.0
Crystal Lake Bank	**102,404**	**9.9**	**51,974**	**5.0**	91,273	9.5	48,069	5.0
Northbrook Bank	**223,849**	**9.8**	**114,125**	**5.0**	198,628	9.5	104,377	5.0
Schaumburg Bank	**108,338**	**9.5**	**57,111**	**5.0**	105,733	10.1	52,171	5.0
Village Bank	**142,333**	**9.5**	**75,197**	**5.0**	136,807	9.7	70,182	5.0
Beverly Bank	**141,140**	**10.7**	**66,109**	**5.0**	127,561	10.8	59,140	5.0
Town Bank	**199,982**	**10.0**	**100,257**	**5.0**	180,943	10.1	89,617	5.0
Wheaton Bank	**159,718**	**9.8**	**81,767**	**5.0**	135,009	9.4	72,152	5.0
State Bank of the Lakes	**107,234**	**9.2**	**58,068**	**5.0**	95,520	9.2	51,681	5.0
Old Plank Trail Bank	**145,779**	**9.6**	**76,096**	**5.0**	139,366	9.9	70,735	5.0
St. Charles Bank	**111,454**	**9.8**	**56,915**	**5.0**	102,251	9.8	51,907	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, 2018, 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 $4.7 billion and $4.4 billion as of December 31, 2018 and 2017, respectively, and unused home equity lines totaled $807.9 million and $826.5 million as of December 31, 2018 and 2017, respectively. Standby and commercial letters of credit totaled $233.3 million at December 31, 2018 and $195.9 million at December 31, 2017.

In addition, at December 31, 2018 and 2017, the Company had approximately $389.7 million and $446.3 million, 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 $481.6 million at December 31, 2018 and $551.9 million at December 31, 2017. 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 $4.1 billion of mortgage loans in 2018 and $3.9 billion in 2017. The liability for estimated losses on repurchase and indemnification claims for residential mortgage loans previously sold to investors was $2.4 million and $3.0 million at December 31, 2018 and 2017, respectively, and was included in other liabilities on the Consolidated Statements of Condition. Losses charged against the liability were $183,000 in 2018 as compared to $1.4 million in 2017. 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 $13.6 million as of December 31, 2018. Of these commitments, $914,000 related to legally-binding unfunded commitments for tax-credit investments and was included within other assets and other liabilities on the consolidated statements of financial 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, 2018, the total amount of customer balances maintained by the clearing broker and subject to indemnification was approximately $11.3 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.

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

On January 15, 2015, Lehman Brothers Holdings, Inc. ("Lehman Holdings") sent a demand letter asserting that Wintrust Mortgage must indemnify it for losses arising from loans sold by Wintrust Mortgage to Lehman Brothers Bank, FSB under a Loan Purchase Agreement between Wintrust Mortgage, as successor to SGB Corporation, and Lehman Brothers Bank. The demand was the precursor for triggering the alternative dispute resolution process mandated by the U.S. Bankruptcy Court for the Southern District of New York. Lehman Holdings triggered the mandatory alternative dispute resolution process on October 16, 2015. On February 3, 2016, following a ruling by the federal Court of Appeals for the Tenth Circuit that was adverse to Lehman Holdings on the statute of limitations that is applicable to similar loan purchase claims, Lehman Holdings filed a complaint against Wintrust Mortgage and 150 other entities from which it had purchased loans in the U.S. Bankruptcy Court for the Southern District of New York. The mandatory mediation was held on March 16, 2016, but did not result in a consensual resolution of the dispute. The court entered a case management order governing the litigation on November 1, 2016. Lehman Holdings filed an amended complaint against Wintrust Mortgage on December 29, 2016. On March 31, 2017, Wintrust Mortgage moved to dismiss the amended complaint for lack of subject matter jurisdiction and improper venue or to transfer venue. Argument on the motions to dismiss were heard on June 12, 2018. The motion to dismiss for lack of subject matter jurisdiction was denied on August 14, 2018 and the defendants' motion to transfer venue was denied on October 2, 2018. Wintrust Mortgage has appealed the denial of its motion to dismiss based on improper venue and the denial of its motion to transfer venue.

On October 2, 2018, Lehman Holdings asked the court for permission to amend its complaints against Wintrust Mortgage and the other defendants to add loans allegedly purchased from the defendants and sold to various RMBS trusts. The court granted this request and allowed Lehman Holdings to assert the additional claims against existing defendants as a supplemental complaint. Lehman Holdings filed its supplemental complaint against Wintrust Mortgage on December 4, 2018. Wintrust Mortgage's response to the supplemental complaint is due within 45 days of the court's approval of a proposed amended scheduling order, which is currently pending. At this time, Lehman Holdings has not provided Wintrust Mortgage with sufficient information to allow Wintrust Mortgage to assess the merits of Lehman Holding's additional claims or to estimate either the likelihood or amount of any potential liability for the additional claims.

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

On April 9, 2018, JPMorgan Chase & Co. as successor in interest to Bear Stearns and certain related Bear Stearns entities (collectively, "JPMC") sent a demand letter to Wintrust Mortgage asserting an indemnification claim of approximately $4.6 million. JPMC alleges that it incurred this loss due to its reliance on misrepresentations in the loans Wintrust Mortgage originated, underwrote and sold to JPMC in the years prior to 2009. JPMC has not provided Wintrust Mortgage with sufficient information concerning the loans allegedly at issue to allow Wintrust Mortgage to assess the merits of JPMC's allegations or to estimate either the likelihood or amount of any potential liability.

On October 17, 2018, a former Wintrust Mortgage employee filed a lawsuit 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 from October 17, 2014 through the present. Wintrust Mortgage received service of the complaint on November 4, 2018. Wintrust Mortgage's response to the complaint was filed on February 25, 2019. At this time, Wintrust Mortgage lacks sufficient information to assess the merits of the allegations or to estimate either the likelihood or amount of any potential liability.

On October 17, 2018, two individual plaintiffs filed suit 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 the bank is liable for losses in excess of $6 million. Northbrook Bank filed its motion to dismiss the complaint on January 15, 2019, which remains pending before the court. Northbrook Bank believes the allegations to be legally and factually meritless and otherwise lacks sufficient information to estimate the amount of any potential liability.

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 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; and (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. 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 other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge.

As of January 1, 2018, the Company elected to early adopt ASU No. 2017-12, "Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities." Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for as cash flow hedges are recorded as a component of other comprehensive income, net of deferred taxes, and reclassified to earnings when the hedged transaction affects earnings. Changes in fair values of derivative financial instruments not designated in a hedging relationship pursuant to ASC 815 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, 2018 and December 31, 2017:

	Derivative Assets		Derivative Liabilities	
	Fair Value		Fair Value	
(Dollars in thousands)	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Derivatives designated as hedging instruments under ASC 815:				
Interest rate derivatives designated as Cash Flow Hedges	**$ 6,270**	$ 11,914	**$ 1,656**	$ 12
Interest rate derivatives designated as Fair Value Hedges	**2,636**	2,932	**1,756**	—
Total derivatives designated as hedging instruments under ASC 815	**$ 8,906**	$ 14,846	**$ 3,412**	$ 12
Derivatives not designated as hedging instruments under ASC 815:				
Interest rate derivatives	**$ 59,519**	$ 34,139	**$ 59,159**	$ 33,704
Interest rate lock commitments	**3,405**	2,843	**2,694**	269
Forward commitments to sell mortgage loans	—	14	**1,486**	1,457
Foreign exchange contracts	**1,342**	227	**1,337**	229
Total derivatives not designated as hedging instruments under ASC 815	**$ 64,266**	$ 37,223	**$ 64,676**	$ 35,659
Total Derivatives	**$ 73,172**	$ 52,069	**$ 68,088**	$ 35,671

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, 2018, the Company had three 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 variable rate debt. 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 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 each of these cash flow hedges as of December 31, 2018:

(Dollars in thousands)	December 31, 2018	
Maturity Date	**Notional Amount**	**Fair Value Asset (Liability)**
Interest Rate Swaps:		
June 2019	**$ 200,000**	**$ 957**
July 2019	**250,000**	**2,196**
August 2019	**275,000**	**3,117**
Interest Rate Collars:		
September 2023	**144,643**	**(1,656)**
Total Cash Flow Hedges	**$ 869,643**	**$ 4,614**

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) will still occur over the remaining term of the terminated derivatives, any prior changes in the fair value of these cash flow hedges will continue to be included within accumulated other comprehensive income and reclassified to interest expense as interest payments continue to be made. In 2018, the Company reclassified approximately $427,000 from accumulated other comprehensive income to interest expense related to these terminated interest rate swap derivatives.

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

	Years Ended December 31,	
(Dollars in thousands)	**2018**	2017
Unrealized gain at beginning of period	**$ 11,902**	$ 6,944
Amount reclassified from accumulated other comprehensive income to interest expense on deposits and junior subordinated debentures	**(7,313)**	(19)
Amount of gain recognized in other comprehensive income	**6,153**	4,977
Unrealized gain at end of period	**$ 10,742**	$ 11,902

As of December 31, 2018, the Company estimates that during the next twelve months, $10.9 million will be reclassified from accumulated other comprehensive loss as a decrease 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, 2018, the Company has fifteen interest rate swaps with an aggregate notional amount of $173.0 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. Three of these interest rate swaps with an aggregate notional amount of $55.9 million were effective starting after December 31, 2018.

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, 2018:

(Dollars in thousands) Derivatives in Fair Value Hedging Relationships	Location in the Statement of Condition	December 31, 2018 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, excluding covered loans	$ 135,944	$ (953)	$ —
	Available-for-sale debt securities	1,497	58	—

The following table presents the loss or gain recognized related to derivative instruments that are designated as fair value hedges for the respective periods:

(Dollars in thousands) Derivatives in Fair Value Hedging Relationships	Location of Gain or (Loss) Recognized in Income on Derivative	Year Ended December 31, 2018
Interest rate swaps	Interest and fees on loans	**$ (131)**
	Interest income - investment securities	**—**

In 2018, one interest rate swap designated as a fair value hedge accounting relationship was terminated as a result of the full prepayment of the underlying loan (hedged asset). At the time of the termination, the fair value of the interest rate swap asset was approximately $1.4 million with an offsetting cumulative amount of fair value hedging adjustments included in the carrying value of the underlying loan totaling $1.6 million. As the underlying loan was fully paid-off, the remaining cumulative amount of fair value hedging adjustments included in the carrying value of the underlying loan was recorded to interest income.

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—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, 2018, the Company had interest rate derivative transactions with an aggregate notional amount of approximately $6.1 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 2019 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, 2018, the Company had forward commitments to sell mortgage loans with an aggregate notional amount of approximately $481.6 million and interest rate lock commitments with an aggregate notional amount of approximately $235.8 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, 2018 the Company held foreign currency derivatives with an aggregate notional amount of approximately $40.3 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 primarily to mitigate overall interest rate risk and 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, 2018 or December 31, 2017.

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**	**2018**	2017
Interest rate swaps and caps	Trading gains (losses), net	**$ (75)**	$ (848)
Mortgage banking derivatives	Mortgage banking revenue	**(792)**	1,314
Covered call options	Fees from covered call options	**3,519**	4,402
Foreign exchange contracts	Trading gains (losses), net	**20**	(38)

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, 2018, 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 $5.3 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 tables below summarize the Company's interest rate derivatives and offsetting positions as of the dates shown.

	Derivative Assets		Derivative Liabilities	
	Fair Value		Fair Value	
(Dollars in thousands)	**December 31, 2018**	December 31, 2017	**December 31, 2018**	December 31, 2017
Gross Amounts Recognized	**$ 68,425**	$ 48,985	**$ 62,571**	$ 33,716
Less: Amounts offset in the Statements of Condition	**—**	—	**—**	—
Net amount presented in the Statements of Condition	**$ 68,425**	$ 48,985	**$ 62,571**	$ 33,716
Gross amounts not offset in the Statements of Condition				
Offsetting Derivative Positions	**$ (28,124)**	$ (14,878)	**$ (28,124)**	$ (14,878)
Collateral Posted	**(23,810)**	(18,060)	**(2,640)**	(2,220)
Net Credit Exposure	**$ 16,491**	$ 16,047	**$ 31,807**	$ 16,618

(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 a security. When these inputs are not available, broker/dealer quotes may be obtained by the vendor to determine the fair value of the security. We review the vendor's pricing methodologies to determine if observable market information is being used, versus unobservable inputs. Fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy.

The Company's Investment Operations Department is responsible for the valuation of Level 3 available-for-sale 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, 2018, the Company classified $108.9 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 also classified $3.2 million of U.S. government agencies as Level 3 at December 31, 2018. 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 publicly issued bond by the same issuer if available. A reduction is then applied to the rating obtained from the comparable bond, as the Company believes if liquidated, a non-rated bond would be valued less than a similar bond with a verifiable rating. The reduction applied by the Company is one complete rating grade (i.e. a "AA" rating for a comparable bond would be reduced to "A" for the Company's valuation). In 2018, all of the ratings derived in the above process by Investment Operations were "BBB" or better, for both bonds with and without comparable bond proxies. The fair value measurement of municipal bonds is sensitive to the rating input, as a higher rating typically results in an increased valuation. The remaining pricing inputs used in the bond valuation are observable. Based on the rating determined in the above process, Investment Operations obtains a corresponding current market yield curve available to market participants. Other terms including coupon, maturity date, redemption price, number of coupon payments per year, and accrual method are obtained from the individual bond term sheets. Certain municipal bonds held by the Company at December 31, 2018 have a call date that has passed, and are now continuously callable. When valuing these bonds, the fair value is capped at par value as the Company assumes a market participant would not pay more than par for a continuously callable bond. To determine the rating for the U.S. government agency securities, the Investment Operations Department assigned a AAA rating as it is guaranteed by the U.S. government.

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.

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, 2018, the Company classified $11.3 million of loans held-for-investment as Level 3. The weighted average discount rate used as an input to value these loans at December 31, 2018 was 4.31% with discount rates applied ranging from 4%-5%. 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 prepayments speed assumption of 12.06% at December 31, 2018. 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 1.30% with credit discounts ranging from 0%-7% at December 31, 2018.

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, 2018, the Company classified $75.2 million of MSRs as Level 3. The weighted average discount rate used as an input to value the pool of MSRs at December 31, 2018 was 9.98% with discount rates applied ranging from 6%-18%. 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 6%-91% or a weighted average prepayment speed of 11.76%. Further, for current and delinquent loans, the Company assumed the average cost of servicing of $77 and $273, 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 validated by comparison with valuations provided by the respective counterparties. 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, 2018, the Company classified $2.5 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, 2018 was 86.15% with pull-through rates applied ranging from 17% 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.

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

	December 31, 2018			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	**$ 126,404**	**$ 126,404**	**$ —**	**$ —**
U.S. Government agencies	**140,307**	**—**	**137,157**	**3,150**
Municipal	**138,490**	**—**	**29,564**	**108,926**
Corporate notes	**91,045**	**—**	**91,045**	**—**
Mortgage-backed	**1,629,835**	**—**	**1,629,835**	**—**
Trading account securities	**1,692**	**—**	**1,692**	**—**
Equity securities with readily determinable fair value	**34,717**	**—**	**34,717**	**—**
Mortgage loans held-for-sale	**264,070**	**—**	**264,070**	**—**
Loans held-for-investment	**93,857**	**—**	**82,510**	**11,347**
MSRs	**75,183**	**—**	**—**	**75,183**
Nonqualified deferred compensations assets	**11,282**	**—**	**11,282**	**—**
Derivative assets	**73,172**	**—**	**70,715**	**2,457**
Total	**$ 2,680,054**	**$ 126,404**	**$ 2,352,587**	**$ 201,063**
Derivative liabilities	**$ 68,088**	**$ —**	**$ 68,088**	**$ —**

	December 31, 2017			
(Dollars in thousands)	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	$ 143,822	$ 143,822	$ —	$ —
U.S. Government agencies	156,915	—	153,136	3,779
Municipal	115,352	—	38,171	77,181
Corporate notes	31,050	—	31,050	—
Mortgage-backed	1,319,725	—	1,319,725	—
Equity securities	36,802	—	36,802	—
Trading account securities	995	—	995	—
Mortgage loans held-for-sale	313,592	—	313,592	—
Loans held-for-investment	33,717	—	—	33,717
MSRs	33,676	—	—	33,676
Nonqualified deferred compensations assets	11,065	—	11,065	—
Derivative assets	52,069	—	49,912	2,157
Total	$ 2,248,780	$ 143,822	$ 1,954,448	$ 150,510
Derivative liabilities	$ 35,671	$ —	$ 35,671	$ —

The aggregate remaining contractual principal balance outstanding as of December 31, 2018 and 2017 for mortgage loans held-for-sale measured at fair value under ASC 825 was $253.7 million and $299.5 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was $264.1 million and $313.6 million, respectively, as shown in the above tables. There were $1.9 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, 2018 and no loans as of December 31, 2017.

The changes in Level 3 assets measured at fair value on a recurring basis during the year ended December 31, 2018 are summarized as follows:

(Dollars in thousands)	Municipal	U.S. Government Agencies	Loans held-for-investment	MSRs	Derivative assets
Balance at January 1, 2018	**$ 77,181**	**$ 3,779**	**$ 33,717**	**$ 33,676**	**$ 2,157**
Total net gains (losses) included in:					
Net income [(1)]	**—**	**—**	**(1,077)**	**27,701**	**300**
Other comprehensive loss	**(8,541)**	**(314)**	**—**	**—**	**—**
Purchases [(2)]	**63,644**	**—**	**—**	**13,806**	**—**
Issuances	**—**	**—**	**—**	**—**	**—**
Sales	**—**	**—**	**—**	**—**	**—**
Settlements	**(23,358)**	**(315)**	**(28,367)**	**—**	**—**
Net transfers into/(out of) Level 3	**—**	**—**	**7,074**	**—**	**—**
Balance at December 31, 2018	**$ 108,926**	**$ 3,150**	**$ 11,347**	**$ 75,183**	**$ 2,457**

(1) Changes in the balance of MSRs and derivative assets as presented in the table above are recorded as a component of mortgage banking revenue in non-interest income. Changes in the balance of loans held-for-investment related to fair value adjustments are recorded as other non-interest income.

(2) Purchased as a part of the Veterans First business combination. See Note 7 - Business Combinations and Asset Acquisitions for further discussion.

The changes in Level 3 assets measured at fair value on a recurring basis during the year ended December 31, 2017 are summarized as follows:

(Dollars in thousands)	Municipal	U.S. Government Agencies	Loans held-for-investment	MSRs	Derivative assets
Balance at January 1, 2017	$ 79,626	$ —	$ 22,137	$ 19,103	$ 2,291
Total net gains (losses) included in:					
Net income [(1)]	—	—	1,025	14,573	(134)
Other comprehensive loss	(501)	(504)	—	—	—
Purchases	33,593	—	—	—	—
Issuances	—	—	—	—	—
Sales	—	—	—	—	—
Settlements	(35,537)	—	(13,219)	—	—
Net transfers into/(out of) Level 3 [(2)]	—	4,283	23,774	—	—
Balance at December 31, 2017	$ 77,181	$ 3,779	$ 33,717	$ 33,676	$ 2,157

(1) Changes in the balance of MSRs and derivative assets as presented in the table above are recorded as a component of mortgage banking revenue in non-interest income. Changes in the balance of loans held-for-investment related to fair value adjustments are recorded as other non-interest income.

(2) Transfers into Level 3 relate to certain U.S. government agency available-for-sale investment securities and loans reclassified from the held-for-sale portfolio at the time of market conditions or other developments changing management's intent with respect to the disposition of those loans.

Also, the Company may be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with GAAP. These adjustments to fair value usually result from impairment charges on individual assets. For assets measured at fair value on a nonrecurring basis that were still held in the balance sheet at the end of the period, the following table provides the carrying value of the related individual assets or portfolios at December 31, 2018.

	December 31, 2018				Year Ended December 31, 2018 Fair Value Losses Recognized, net
(Dollars in thousands)	Total	Level 1	Level 2	Level 3	
Impaired loans-collateral based	$ 99,803	$ —	$ —	$ 99,803	$ 18,721
Other real estate owned [(1)]	24,820	—	—	24,820	5,965
Total	$ 124,623	$ —	$ —	$ 124,623	$ 24,686

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

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

The Company's Managed Assets Division is primarily responsible for the valuation of Level 3 inputs of impaired loans. For more information on the Managed Assets Division review of impaired loans refer to Note 5 – Allowance for Loan Losses, Allowance for Losses on Lending-Related Commitments and Impaired Loans. At December 31, 2018, the Company had $127.3 million of impaired loans classified as Level 3. Of the $127.3 million of impaired loans, $99.8 million were measured at fair value based on the underlying collateral of the loan as shown in the table above. The remaining $27.5 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, 2018, the Company had $24.8 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, 2018 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	$ 108,926	Bond pricing	Equivalent rating	BBB-AA+	N/A	Increase
U.S. Government agencies	3,150	Bond pricing	Equivalent rating	AAA	AAA	Increase
Loans held-for-investment	11,347	Discounted cash flows	Discount rate	4%-5%	4.31%	Decrease
			Credit spread	0%-7%	1.30%	Decrease
			Constant prepayment rate (CPR)	12.06%	12.06%	Decrease
MSRs	75,183	Discounted cash flows	Discount rate	6%-18%	9.98%	Decrease
			Constant prepayment rate (CPR)	6%-91%	11.76%	Decrease
			Cost of servicing	$15-$200	$ 77	Decrease
			Cost of servicing - delinquent	$200-$1,000	$ 273	Decrease
Derivatives	2,457	Discounted cash flows	Pull-through rate	17%-100%	86.15%	Increase
Measured at fair value on a non-recurring basis:						
Impaired loans—collateral based	99,803	Appraisal value	Appraisal adjustment - cost of sale	10%	10.00%	Decrease
Other real estate owned, including covered other real-estate owned	24,820	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, 2018		December 31, 2017	
(Dollars in thousands)	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Financial Assets:				
Cash and cash equivalents	**$ 392,200**	**$ 392,200**	$ 277,591	$ 277,591
Interest bearing deposits with banks	**1,099,594**	**1,099,594**	1,063,242	1,063,242
Available-for-sale securities	**2,126,081**	**2,126,081**	1,803,666	1,803,666
Held-to-maturity securities	**1,067,439**	**1,036,096**	826,449	812,516
Trading account securities	**1,692**	**1,692**	995	995
Equity securities with readily determinable fair value	**34,717**	**34,717**	—	—
FHLB and FRB stock, at cost	**91,354**	**91,354**	89,989	89,989
Brokerage customer receivables	**12,609**	**12,609**	26,431	26,431
Mortgage loans held-for-sale, at fair value	**264,070**	**264,070**	313,592	313,592
Loans held-for-investment, at fair value	**93,857**	**93,857**	33,717	33,717
Loans held-for-investment, at amortized cost	**23,726,834**	**23,780,739**	21,607,080	21,768,978
MSRs	**75,183**	**75,183**	33,676	33,676
Nonqualified deferred compensation assets	**11,282**	**11,282**	11,065	11,065
Derivative assets	**73,172**	**73,172**	52,069	52,069
Accrued interest receivable and other	**260,281**	**260,281**	227,649	227,649
Total financial assets	**$ 29,330,365**	**$ 29,352,927**	$ 26,367,211	$ 26,515,176
Financial Liabilities				
Non-maturity deposits	**$ 20,833,837**	**$ 20,833,837**	$ 18,775,977	$ 18,775,977
Deposits with stated maturities	**5,260,841**	**5,283,063**	4,407,370	4,350,004
FHLB advances	**426,326**	**429,830**	559,663	544,750
Other borrowings	**393,855**	**393,855**	266,123	266,123
Subordinated notes	**139,210**	**138,345**	139,088	144,266
Junior subordinated debentures	**253,566**	**263,846**	253,566	264,696
Derivative liabilities	**68,088**	**68,088**	35,671	35,671
Accrued interest payable	**16,025**	**16,025**	8,030	8,030
Total financial liabilities	**$ 27,391,748**	**$ 27,426,889**	$ 24,445,488	$ 24,389,517

Not all the financial instruments listed in the table above are subject to the disclosure provisions of ASC Topic 820, as certain assets and liabilities result in their carrying value approximating fair value. These include cash and cash equivalents, interest bearing deposits with banks, brokerage customer receivables, FHLB and FRB stock, FDIC indemnification liability, 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 and municipal bonds issued by various municipal government entities primarily located in the Chicago metropolitan area and southern Wisconsin. 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 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, 2018 and 2017 is as follows:

	2018	2017
Common Stock:		
Shares authorized	**100,000,000**	100,000,000
Shares issued	**56,518,119**	56,068,220
Shares outstanding	**56,407,558**	55,965,207
Cash dividend per share	**$ 0.76**	$ 0.56
Preferred Stock:		
Shares authorized	**20,000,000**	20,000,000
Shares issued	**5,000,000**	5,000,000
Shares outstanding	**5,000,000**	5,000,000

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. The Company also reserves its authorized common stock for conversion of common stock warrants.

Common Stock Offering

In June 2016, the Company issued through a public offering a total of 3,000,000 shares of its common stock. Net proceeds to the Company totaled approximately $152.9 million.

Series C Preferred Stock

In March 2012, the Company issued and sold 126,500 shares of Series C Preferred Stock for $126.5 million in a public offering. When, as and if declared, dividends on the Series C Preferred Stock were payable quarterly in arrears at a rate of 5.00% per annum. The Series C Preferred Stock was convertible into common stock at the option of the holder subject to customary anti-dilution adjustments. In 2016, pursuant to such terms, 30 shares of the Series C Preferred Stock were converted at the option of the respective holders into 729 shares of the Company's common stock. On April 25, 2017, 2,073 shares of the Series C Preferred Stock were converted at the option of the respective holder into 51,244 shares of the Company's common stock, pursuant to the terms of the Series C Preferred Stock. On April 27, 2017, the Company caused a mandatory conversion of its remaining 124,184 shares of Series C Preferred Stock into 3,069,828 shares of the Company's common stock at a conversion rate of 24.72 shares of common stock per share of Series C Preferred Stock. Cash was paid in lieu of fractional shares for an amount considered insignificant.

Series D Preferred Stock

In June 2015, the Company issued and sold 5,000,000 shares of 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.

Common Stock Warrants

Pursuant to the U.S. Department of the Treasury's (the "U.S. Treasury") Capital Purchase Program, on December 19, 2008, the Company issued to the U.S. Treasury a warrant to exercise 1,643,295 warrant shares of Wintrust common stock with a term of 10 years. In February 2011, the U.S. Treasury sold all of its interest in the warrant issued to it in a secondary underwritten public offering. During 2017, certain holders of the interest in the warrant exercised 318,491 warrant shares, which resulted in 219,372 shares of common stock issued. During 2018, certain holders of the interest in the warrant exercised 22,952 warrant shares, which resulted in 16,571 shares of common stock issued. On December 19, 2018, the Company's warrant shares expired. Any warrant shares not exercised prior to this date expired and became void, and the holder did not receive any shares of the Company's common stock.

Other

At the January 2019 Board of Directors meeting, a quarterly cash dividend of $0.25 per share ($1.00 on an annualized basis) was declared. It was paid on February 21, 2019 to shareholders of record as of February 7, 2019.

The following tables summarize the components of other comprehensive income (loss), including the related income tax effects, for the years ended December 31, 2018, 2017 and 2016:

(In thousands)	Accumulated Unrealized Losses on Securities	Accumulated Unrealized Gains (Losses) on Derivative Instruments	Accumulated Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Loss
Balance at January 1, 2018	**$ (15,813)**	**$ 7,164**	**$ (33,186)**	**$ (41,835)**
Cumulative effect adjustment from the adoption of:				
ASU 2016-01	**(1,880)**	**—**	**—**	**(1,880)**
ASU 2018-02	**(4,517)**	**1,543**	**—**	**(2,974)**
Other comprehensive (loss) income during the period, net of tax, before reclassification	**(20,054)**	**4,498**	**(9,190)**	**(24,746)**
Amount reclassified from accumulated other comprehensive income into net income, net of tax	**(24)**	**(5,348)**	**—**	**(5,372)**
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	**(65)**	**—**	**—**	**(65)**
Net other comprehensive loss during the period, net of tax	**$ (20,143)**	**$ (850)**	**$ (9,190)**	**$ (30,183)**
Balance at December 31, 2018	**$ (42,353)**	**$ 7,857**	**$ (42,376)**	**$ (76,872)**
Balance at January 1, 2017	$ (29,309)	$ 4,165	$ (40,184)	$ (65,328)
Other comprehensive income during the period, net of tax, before reclassification	14,417	3,010	6,998	24,425
Amount reclassified from accumulated other comprehensive income into net income, net of tax	(27)	(11)	—	(38)
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	(894)	—	—	(894)
Net other comprehensive income during the period, net of tax	$ 13,496	$ 2,999	$ 6,998	$ 23,493
Balance at December 31, 2017	$ (15,813)	$ 7,164	$ (33,186)	$ (41,835)
Balance at January 1, 2016	$ (17,674)	$ (2,193)	$ (42,841)	$ (62,708)
Other comprehensive (loss) income during the period, net of tax, before reclassification	(17,554)	4,464	2,657	(10,433)
Amount reclassified from accumulated other comprehensive income (loss) into net income, net of tax	(4,641)	1,894	—	(2,747)
Amount reclassified from accumulated other comprehensive income related to amortization of unrealized losses on investment securities transferred to held-to-maturity from available-for-sale	10,560	—	—	10,560
Net other comprehensive (loss) income during the period, net of tax	$ (11,635)	$ 6,358	$ 2,657	$ (2,620)
Balance at December 31, 2016	$ (29,309)	$ 4,165	$ (40,184)	$ (65,328)

Details Regarding the Component of Accumulated Other Comprehensive Income	Amount Reclassified from Accumulated Other Comprehensive Income for the Year Ended, December 31, 2018	2017	Impacted Line on the Consolidated Statements of Income
Accumulated unrealized losses on available-for-sale securities			
Gains included in net income	**$ 33**	$ 45	Gains on investment securities, net
	33	45	Income before taxes
Tax effect	**(9)**	(18)	Income tax expense
Net of tax	**$ 24**	$ 27	Net income
Accumulated unrealized losses on derivative instruments			
Amount reclassified to interest expense on deposits	**$ (7,549)**	$ (1,085)	Interest on deposits
Amount reclassified to interest expense on other borrowings	**236**	—	Interest on other borrowings
Amount reclassified to interest expense on junior subordinated debentures	**—**	1,066	Interest on junior subordinated debentures
	7,313	19	Income before taxes
Tax effect	**(1,965)**	(8)	Income tax expense
Net of tax	**$ 5,348**	$ 11	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
2018						
Net interest income	**$ 791,838**	**$ 136,981**	**$ 17,455**	**$ 946,274**	**$ 18,629**	**$ 964,903**
Provision for credit losses	**28,586**	**6,246**	**—**	**34,832**	**—**	**34,832**
Non-interest income	**238,668**	**65,898**	**91,896**	**396,462**	**(40,312)**	**356,150**
Non-interest expense	**681,749**	**84,248**	**81,774**	**847,771**	**(21,683)**	**826,088**
Income tax expense	**79,361**	**30,325**	**7,281**	**116,967**	**—**	**116,967**
Net income	**$ 240,810**	**$ 82,060**	**$ 20,296**	**$ 343,166**	**$ —**	**$ 343,166**
Total assets at end of year	**$ 25,438,454**	**$ 5,073,011**	**$ 733,384**	**$ 31,244,849**	**$ —**	**$ 31,244,849**
2017						
Net interest income	$ 677,481	$ 118,320	$ 18,919	$ 814,720	$ 17,356	$ 832,076
Provision for credit losses	27,059	2,709	—	29,768	—	29,768
Non-interest income	211,354	60,405	84,312	356,071	(36,565)	319,506
Non-interest expense	599,455	74,559	77,012	751,026	(19,209)	731,817
Income tax expense	87,486	35,775	9,054	132,315	—	132,315
Net income	$ 174,835	$ 65,682	$ 17,165	$ 257,682	$ —	$ 257,682
Total assets at end of year	$ 22,781,923	$ 4,515,766	$ 618,281	$ 27,915,970	$ —	$ 27,915,970
2016						
Net interest income	$ 588,847	$ 98,248	$ 18,611	$ 705,706	$ 16,487	$ 722,193
Provision for credit losses	30,862	3,222	—	34,084	—	34,084
Non-interest income	230,414	49,706	78,478	358,598	(33,168)	325,430
Non-interest expense	556,798	66,460	75,108	698,366	(16,681)	681,685
Income tax expense	86,933	29,512	8,534	124,979	—	124,979
Net income	$ 144,668	$ 48,760	$ 13,447	$ 206,875	$ —	$ 206,875
Total assets at end of year	$ 21,172,080	$ 3,884,373	$ 612,100	$ 25,668,553	$ —	$ 25,668,553

(25) Condensed Parent Company Financial Statements

Condensed parent company only financial statements of Wintrust follow:

Statements of Financial Condition

	December 31,	
(In thousands)	**2018**	2017
Assets		
Cash	**$ 37,931**	$ 78,045
Available-for-sale debt securities and equity securities with readily determinable fair value	**12,765**	14,461
Investment in and receivable from subsidiaries	**3,660,968**	3,249,202
Loans, net of unearned income	**1,200**	1,845
Allowance for loan losses	**—**	—
Net loans	**$ 1,200**	$ 1,845
Goodwill	**8,371**	8,371
Other assets	**206,902**	174,781
Total assets	**$ 3,928,137**	$ 3,526,705
Liabilities and Shareholders' Equity		
Other liabilities	**$ 75,609**	$ 66,909
Subordinated notes	**139,210**	139,088
Other borrowings	**192,182**	90,203
Junior subordinated debentures	**253,566**	253,566
Shareholders' equity	**3,267,570**	2,976,939
Total liabilities and shareholders' equity	**$ 3,928,137**	$ 3,526,705

Statements of Income

	Years Ended December 31,		
(In thousands)	**2018**	2017	2016
Income			
Dividends and other revenue from subsidiaries	**$ 171,388**	$ 155,969	$ 89,184
Other income	**4**	2,488	4,344
Total income	**$ 171,392**	$ 158,457	$ 93,528
Expenses			
Interest expense	**$ 22,375**	$ 19,207	$ 18,498
Salaries and employee benefits	**64,726**	50,683	34,299
Other expenses	**108,038**	74,618	62,778
Total expenses	**$ 195,139**	$ 144,508	$ 115,575
(Loss) income before income taxes and equity in undistributed income of subsidiaries	**$ (23,747)**	$ 13,949	$ (22,047)
Income tax benefit	**34,186**	47,139	31,061
Income before equity in undistributed net income of subsidiaries	**$ 10,439**	$ 61,088	$ 9,014
Equity in undistributed net income of subsidiaries	**332,727**	196,594	197,861
Net income	**$ 343,166**	$ 257,682	$ 206,875

Statements of Cash Flows

	Years Ended December 31,		
(In thousands)	**2018**	2017	2016
Operating Activities:			
Net income	**$ 343,166**	$ 257,682	$ 206,875
Adjustments to reconcile net income to net cash provided by (used for) operating activities			
Provision for credit losses	**56**	—	—
Gain on early extinguishment of debt	**—**	—	(4,305)
Depreciation and amortization	**11,943**	10,783	10,400
Deferred income tax expense (benefit)	**502**	2,809	(601)
Stock-based compensation expense	**6,025**	5,185	3,762
Decrease (increase) in other assets	**3,685**	1,956	(319)
Increase in other liabilities	**650**	9,967	9,618
Equity in undistributed net income of subsidiaries	**(332,727)**	(196,594)	(197,861)
Net Cash Provided by Operating Activities	**$ 33,300**	$ 91,788	$ 27,569
Investing Activities:			
Capital distributions from (contributions to) subsidiaries, net	**$ 4,632**	$ (42,736)	$ (118,575)
Net cash paid for acquisitions, net	**(87,081)**	—	(61,308)
Other investing activity, net	**(57,143)**	(28,132)	(18,051)
Net Cash Used for Investing Activities	**$ (139,592)**	$ (70,868)	$ (197,934)
Financing Activities:			
Increase (decrease) in subordinated notes, other borrowings and junior subordinated debentures, net	**$ 101,910**	$ 20,008	$ (26,251)
Proceeds from the issuance of common stock, net	**—**	—	152,911
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**15,903**	28,229	15,828
Dividends paid	**(50,987)**	(40,543)	(38,568)
Common stock repurchases for tax withholdings related to stock-based compensation	**(648)**	(397)	(616)
Net Cash Provided by Financing Activities	**$ 66,178**	$ 7,297	$ 103,304
Net (Decrease) Increase in Cash and Cash Equivalents	**$ (40,114)**	$ 28,217	$ (67,061)
Cash and Cash Equivalents at Beginning of Year	**78,045**	49,828	116,889
Cash and Cash Equivalents at End of Year	**$ 37,931**	$ 78,045	$ 49,828

(26) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for 2018, 2017 and 2016:

(In thousands, except per share data)		**2018**	2017	2016
Net income		**$ 343,166**	$ 257,682	$ 206,875
Less: Preferred stock dividends		**8,200**	9,778	14,513
Net income applicable to common shares—Basic	(A)	**$ 334,966**	$ 247,904	$ 192,362
Add: Dividends on convertible preferred stock, if dilutive		**—**	1,578	6,313
Net income applicable to common shares—Diluted	(B)	**$ 334,966**	$ 249,482	$ 198,675
Weighted average common shares outstanding	(C)	**56,300**	54,703	50,278
Effect of dilutive potential common shares:				
Common stock equivalents		**908**	998	894
Convertible preferred stock, if dilutive		**—**	985	3,100
Total dilutive potential common shares		**908**	1,983	3,994
Weighted average common shares and effect of dilutive potential common shares	(D)	**57,208**	56,686	54,272
Net income per common share:				
Basic	(A/C)	**$ 5.95**	$ 4.53	$ 3.83
Diluted	(B/D)	**5.86**	4.40	3.66

Potentially dilutive common shares can result from stock options, restricted stock unit awards, stock warrants, the Company's convertible preferred stock 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. For diluted earnings per share, net income applicable to common shares can be affected by the conversion of the Company's convertible preferred stock. Where the effect of this conversion would reduce the loss per share or increase the income per share, net income applicable to common shares is not adjusted by the associated preferred dividends.

(27) Quarterly Financial Summary (Unaudited)

The following is a summary of quarterly financial information for the years ended December 31, 2018 and 2017:

	2018 Quarters				2017 Quarters			
(In thousands, except per share data)	**First**	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
Interest income	**$261,205**	**284,047**	**304,962**	**320,596**	$215,759	231,181	247,688	251,840
Interest expense	**36,123**	**45,877**	**57,399**	**66,508**	23,179	26,772	31,700	32,741
Net interest income	**225,082**	**238,170**	**247,563**	**254,088**	192,580	204,409	215,988	219,099
Provision for credit losses	**8,346**	**5,043**	**11,042**	**10,401**	5,209	8,891	7,896	7,772
Net interest income after provision for credit losses	**216,736**	**233,127**	**236,521**	**243,687**	187,371	195,518	208,092	211,327
Non-interest income, excluding net securities gains (losses)	**86,030**	**95,221**	**99,840**	**77,957**	68,820	89,925	79,692	81,024
(Losses) gains on investment securities, net	**(351)**	**12**	**90**	**(2,649)**	(55)	47	39	14
Non-interest expense	**194,349**	**206,769**	**213,637**	**211,333**	168,118	183,544	183,575	196,580
Income before taxes	**108,066**	**121,591**	**122,814**	**107,662**	88,018	101,946	104,248	95,785
Income tax expense	**26,085**	**32,011**	**30,866**	**28,005**	29,640	37,049	38,622	27,004
Net income	**$ 81,981**	**89,580**	**91,948**	**79,657**	$ 58,378	64,897	65,626	68,781
Preferred stock dividends	**2,050**	**2,050**	**2,050**	**2,050**	3,628	2,050	2,050	2,050
Net income applicable to common shares	**$ 79,931**	**87,530**	**89,898**	**77,607**	$ 54,750	62,847	63,576	66,731
Net income per common share:								
Basic	**$ 1.42**	**$ 1.55**	**$ 1.59**	**$ 1.38**	$ 1.05	$ 1.15	$ 1.14	$ 1.19
Diluted	**1.40**	**1.53**	**1.57**	**1.35**	1.00	1.11	1.12	1.17
Cash dividends declared per common share	**0.19**	**0.19**	**0.19**	**0.19**	0.14	0.14	0.14	0.14

(28) Subsequent Events

On February 20, 2019, the Company announced the signing of a definitive agreement to acquire Rush-Oak Corporation ("ROC"). ROC is the parent company of Oak Bank, which operates a banking location in the Gold Coast neighborhood of Chicago, Illinois. As of December 31, 2018, Oak Bank had approximately $196 million in assets, approximately $143 million in loans and approximately $158 million in deposits.

On February 15, 2019, the Receivables Purchase Agreement with an unrelated third party was amended to extend the maturity date from December 16, 2019 to December 15, 2020. Additionally, at that time, the unrelated third party paid an additional C$20 million under the Receivables Purchase Agreement, which increased the total payments to C$210 million. For additional discussion of the Receivables Purchase Agreement, see Note 13 - Other Borrowings.

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, 2018 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, 2018, 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, 2018, the Company's system of internal control over financial reporting is effective and meets the criteria of the COSO Criteria. Ernst & Young LLP, 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, 2018.

/s/ Edward J. Wehmer	/s/ David L. Stoehr
Edward J. Wehmer	David L. Stoehr
President and	Executive Vice President &
Chief Executive Officer	Chief Financial Officer

Rosemont, Illinois
February 28, 2019

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, 2018, 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, 2018, 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, 2018 and 2017, 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, 2018, and the related notes, and our report dated February 28, 2019 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 28, 2019

ITEM 9B. OTHER INFORMATION

None.

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 23, 2019 (the “Proxy Statement”) under the captions “Election of Directors,” “Executive Officers of the Company,” “Board of Directors’ Committees and Governance” and “Section 16(a) Beneficial Ownership Reporting Compliance” 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, 2018, 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	472,692	$ 40.59	—
WTFC 2015 Stock Incentive Plan	965,103	$ 14.93	3,393,543
WTFC Employee Stock Purchase Plan	—	—	226,870
WTFC Directors Deferred Fee and Stock Plan	—	—	356,116
	1,522,795	$ 22.06	3,976,529
Equity compensation plans not approved by security holders			
N/A	—	—	—
Total	1,522,795	$ 22.06	3,976,529

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, 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, 2018 and 2017
- Consolidated Statements of Income for the Years Ended December 31, 2018, 2017 and 2016
- Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2018, 2017 and 2016
- Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2018, 2017 and 2016
- Consolidated Statements of Cash Flows for the Years Ended December 31, 2018, 2017 and 2016
- 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	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 May 26, 2017).
4.1	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.
4.2	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).
4.3	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).
4.4	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).
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 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).

10.3 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).

10.4 Second Amending Agreement to the Receivables Purchase Agreement, dated September 6, 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).

10.5 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).

10.6 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).

10.7 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).

10.8 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).

10.9 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).

10.10 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).

10.11 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).

10.12 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).

10.13 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).

10.14 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).

10.15 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).

10.16 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).*

10.17 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).*

10.18 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).*

10.19 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).*

10.20 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).*

10.21 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).*

10.22 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).*

10.23 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).*

10.24 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).*

10.25 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).*

10.26 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).*

10.27 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).

10.28 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).*

10.29 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).*

10.30 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).*

10.31 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).*

10.32 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).*

10.33 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).*

10.34 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).*

10.35 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).*

10.36 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).*

10.37 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).

10.38 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).

10.39 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).

10.40 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).*

10.41 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).*

10.42 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).*

10.43 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).*

10.44 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).*

10.45 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).

10.46 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 XBRL Instance Document (1)

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

(1) Includes the following financial information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018, 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 28, 2019 By: /s/ EDWARD J. WEHMER

Edward J. Wehmer, President 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 28, 2019
/s/ EDWARD J. WEHMER Edward J. Wehmer	President, Chief Executive Officer and Director (Principal Executive Officer)	February 28, 2019
/s/ DAVID L. STOEHR David L. Stoehr	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 28, 2019
/s/ PETER D. CRIST Peter D. Crist	Director	February 28, 2019
/s/ BRUCE K. CROWTHER Bruce K. Crowther	Director	February 28, 2019
/s/ WILLIAM J. DOYLE William J. Doyle	Director	February 28, 2019
/s/ ZED S. FRANCIS, III Zed S. Francis, III	Director	February 28, 2019
/s/ MARLA F. GLABE Marla F. Glabe	Director	February 28, 2019
/s/ SCOTT K. HEITMANN Scott K. Heitmann	Director	February 28, 2019
/s/ CHRISTOPHER J. PERRY Christopher J. Perry	Director	February 28, 2019
/s/ INGRID S. STAFFORD Ingrid S. Stafford	Director	February 28, 2019
/s/ GARY D. “JOE” SWEENEY Gary D. “Joe” Sweeney	Director	February 28, 2019
/s/ SHEILA G. TALTON Sheila G. Talton	Director	February 28, 2019

WINTRUST®

CHICAGO'S BANK®

WISCONSIN'S BANK®

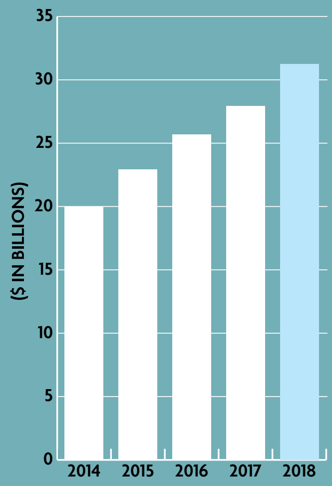
WELCOME

TO OUR FELLOW SHAREHOLDERS...

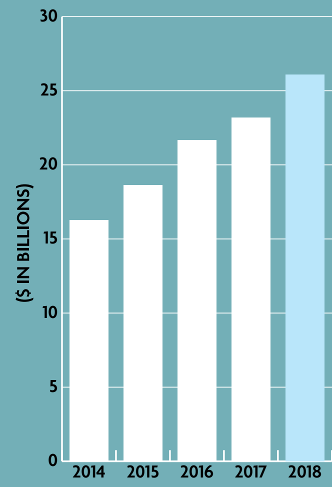
Welcome to Wintrust Financial Corporation's
2018 annual shareholders' letter. We thank you for being a shareholder.

WINTRUST®

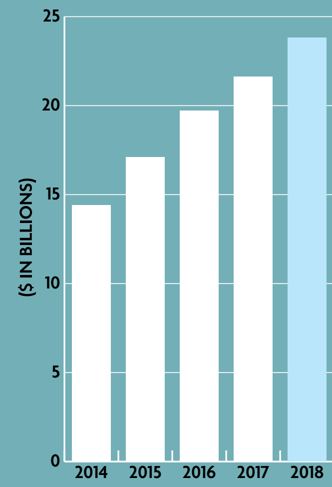
TOTAL ASSETS



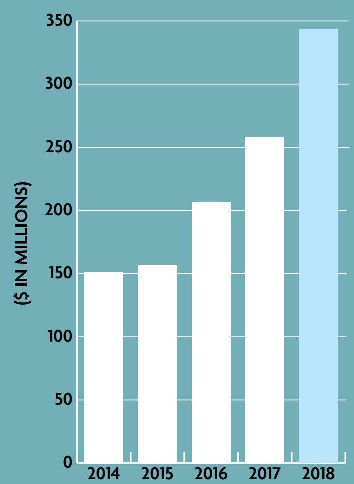
TOTAL DEPOSITS



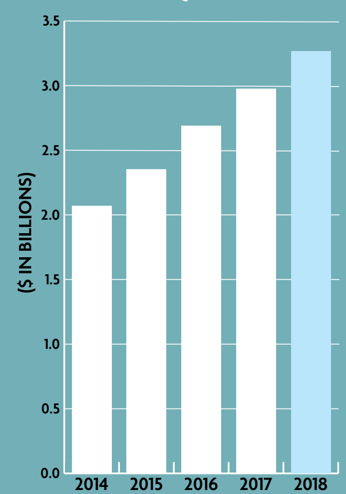
TOTAL LOANS[1]



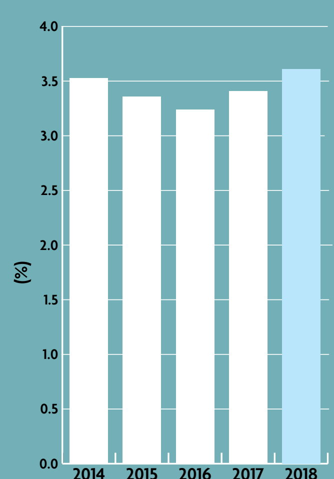
NET INCOME



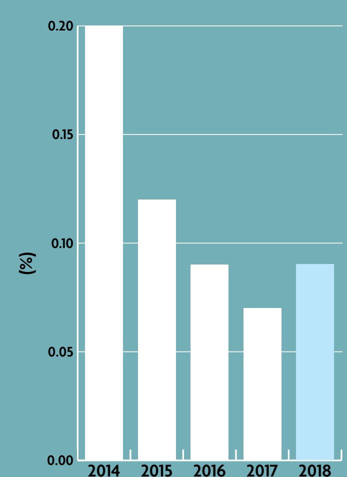
TOTAL SHAREHOLDERS' EQUITY



NET INTEREST MARGIN



NET CHARGE-OFFS[2]



1. Excluding loans held-for-sale and covered loans. 2. As a % of average loans, excluding covered loans.

Dollars in thousands except per share data. Years ended December 31,	2018	2017	2016	2015	2014
SELECTED FINANCIAL CONDITION DATA (AT END OF YEAR)					
Total assets	$ 31,244,849	$ 27,915,970	$ 25,668,553	$ 22,909,348	$ 19,998,840
Total loans (excluding loans held-for-sale and covered loans)	23,820,691	21,640,797	19,703,172	17,118,117	14,409,398
Total deposits	26,094,678	23,183,347	21,658,632	18,639,634	16,281,844
Junior subordinated debentures	253,566	253,566	253,566	268,566	249,493
Total shareholders' equity	3,267,570	2,976,939	2,695,617	2,352,274	2,069,822
SELECTED STATEMENTS OF INCOME DATA					
Net interest income	$ 964,903	$ 832,076	$ 722,193	$ 641,529	$ 598,575
Net revenue[1]	1,321,053	1,151,582	1,047,623	913,126	813,815
Net income	343,166	257,682	206,875	156,749	151,398
Net income per common share–basic	5.95	4.53	3.83	3.05	3.12
Net income per common share–diluted	5.86	4.40	3.66	2.93	2.98
SELECTED FINANCIAL RATIOS AND OTHER DATA					
PERFORMANCE RATIOS					
Net interest margin	3.59 %	3.41 %	3.24 %	3.34 %	3.51 %
Net interest margin–fully taxable equivalent (non-GAAP)[2]	3.61	3.44	3.26	3.36	3.53
Non-interest income to average assets	1.23	1.21	1.34	1.29	1.15
Non-interest expense to average assets	2.85	2.78	2.81	2.99	2.93
Net overhead ratio[3]	1.62	1.56	1.47	1.70	1.77
Return on average assets	1.18	0.98	0.85	0.75	0.81
Return on average common equity	11.26	9.26	8.37	7.15	7.77
Return on average tangible common equity (non-GAAP)[2]	13.95	11.63	10.90	9.44	10.14
Average total assets	$ 29,028,420	$ 26,369,702	$ 24,292,231	$ 20,999,837	$ 18,685,341
Average total shareholders' equity	3,098,740	2,842,081	2,549,929	2,232,989	1,993,959
Average loans to average deposits ratio (excluding loans held-for-sale and covered loans)	93.7 %	92.7 %	90.9 %	89.9 %	88.0 %
Average loans to average deposits ratio (excluding loans held-for-sale, including covered loans)	93.7	92.9	91.4	91.0	89.8
COMMON SHARE DATA AT END OF YEAR					
Market price per common share	$ 66.49	$ 82.37	$ 72.57	$ 48.52	$ 46.76
Book value per common share[2]	$ 55.71	$ 50.96	$ 47.12	$ 43.42	$ 41.52
Tangible common book value per share[2]	$ 44.73	$ 41.68	$ 37.08	$ 33.17	$ 32.45
Common shares outstanding	56,407,558	55,965,207	51,880,540	48,383,279	46,805,055
OTHER DATA AT END OF YEAR[4]					
Leverage ratio	9.1 %	9.3 %	8.9 %	9.1 %	10.2 %
Tier 1 capital to risk-weighted assets	9.7	9.9	9.7	10.0	11.6
Common Equity Tier 1 capital to risk-weighted assets	9.3	9.4	8.6	8.4	N/A
Total capital to risk-weighted assets	11.6	12.0	11.9	12.2	13.0
Allowance for credit losses[5]	$ 154,164	$ 139,174	$ 123,964	$ 106,349	$ 92,480
Non-performing loans	113,234	90,162	87,454	84,057	78,677
Allowance for credit losses[5] to total loans (excluding covered loans)	0.65 %	0.64 %	0.63 %	0.62 %	0.64 %
Non-performing loans to total loans (excluding covered loans)	0.48	0.42	0.44	0.49	0.55
NUMBER OF					
Bank subsidiaries	15	15	15	15	15
Banking offices	167	157	155	152	140

(1) Net revenue includes net interest income and non-interest income.
(2) See Appendix, "Non-GAAP Financial Measures/Ratios," for 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.
(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.
(4) Asset quality ratios exclude covered loans.
(5) The allowance for credit losses includes both the allowance for loan losses and the allowance for unfunded lending-related commitments, but excludes the allowance for covered loan losses.

TO UNDERSTAND WHO WE ARE,

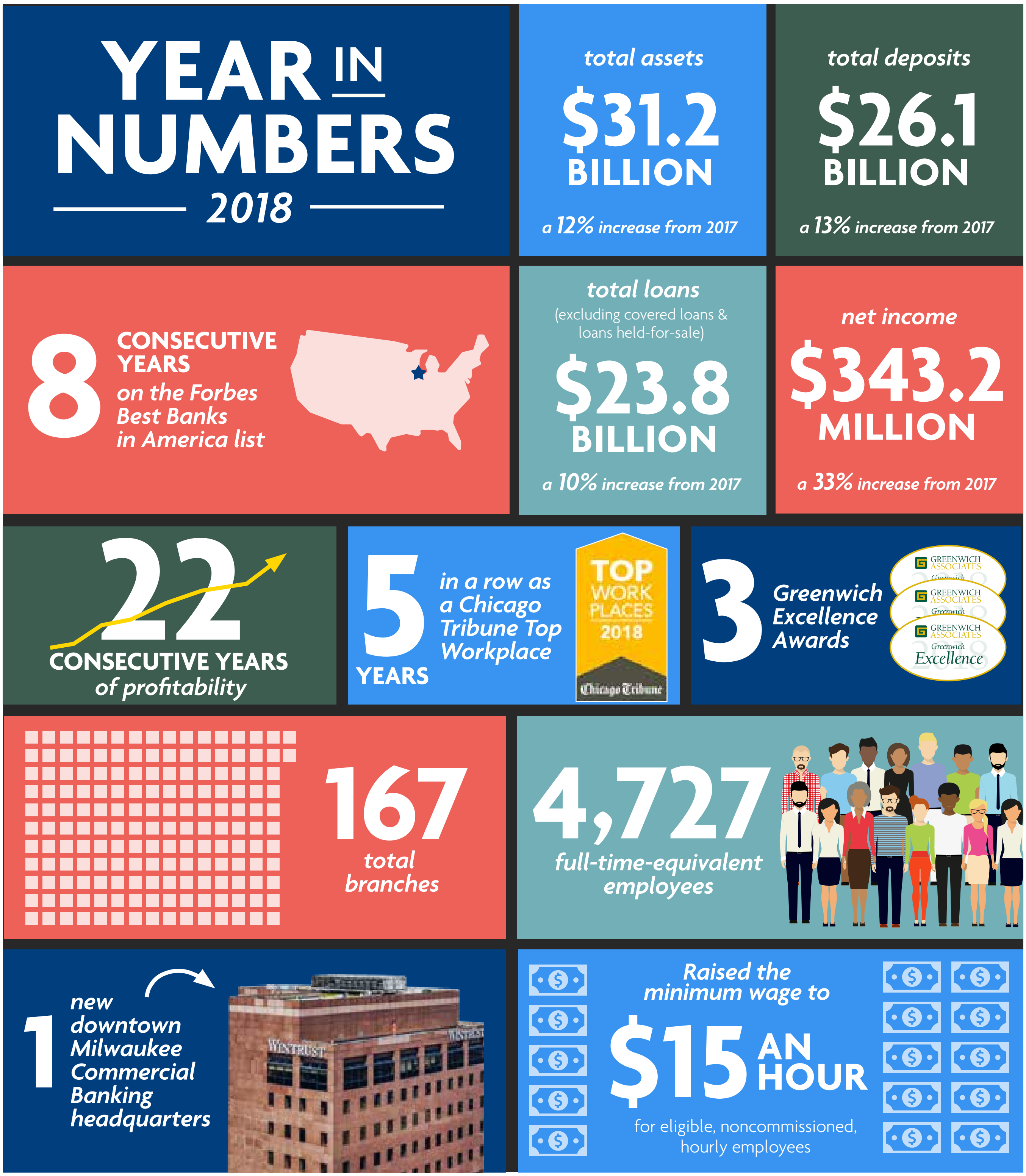
YOU NEED TO KNOW WHO WE'RE *NOT*

If you're familiar with our story, then you're aware that there is a very significant contrast at the center of it: we were created to be the alternative to the big banks. We built this company to provide a true community banking experience at a time when that focus was harder and harder to find. That positioning helped us grow. Today, we're not too big. We're not too small. For our customers and communities, we're just right. Our unique model makes us unlike the rest.

To get a full understanding of who we are, you have to know all the things we actively work against. That's the frame we'd like to use to view 2018. A lot happened in the market in 2018, both from an industry trend and competitor perspective, but it was how we're different that gives us the full picture of the year.

We've built a model that continues to succeed through the changes in the market around us. We know this to be true because 2018 was another record year for your Company. We saw significant growth both in our asset size and in earnings, we had our 22nd consecutive year of profitability, and we're still the second largest commercial bank headquartered in Illinois. After 27 years, we still remain committed to providing the same or better tools as our competitors with unmatched customer service. Our customers and communities come first, and, as a result, we continue to deliver consistently for you, our shareholders.

Let's take a closer look at some of the year's significant numbers.



THE *LOCAL* MARKET SHAKE-UP

Over the last few years, we've seen some market consolidation and distruption in the industry, and certainly in our local market, as banks acquire and merge with other banks. In 2018 alone, we saw movement among well-established, local-market banks. It's a trend that has also happened nationwide and points to the fact that many banks are having trouble growing on their own.

AT WINTRUST, WE'RE STILL GROWING *ORGANICALLY.*

We've continued to open new locations and have been selective about acquisitions. Basically, we continue to work with what the market gives us.

In 2018, we added ten new locations, including six in Illinois: Wintrust Bank – Wrigleyville, Wintrust Bank – Delaware Place, Brighton Park Community Bank, Addison Bank & Trust, and two Evanston Community Bank & Trust locations. We also added four Town Bank locations with two in Milwaukee, one in Racine, and, through our Marquette University partnership solidified last year, we added one on campus.

That growth served us well. Knowing we wanted to get into Evanston, our bankers had done the legwork ahead of time. That helped make it our single fastest growing deposit market with two locations providing more than $300 million in deposits by year-end.

Our focused growth in Milwaukee has also provided some great opportunities. In 2018, we officially opened our commercial banking headquarters, and hired a team of new bankers, giving us a strong presence in downtown Milwaukee and helping us better serve that market. That formalized focus helped us solidify our partnership with the Pabst Theater Group, Marquette University, and opened the door for another baseball relationship in 2019: The Milwaukee Brewers.

Organic growth has always been part of our strategy. We also continue to take advantage of acquisitions, but we're cautious and strategic about it when we do. We're thoughtful about the communities we enter and the value we provide, and that also continues to help us grow. In 2018, we opened more than 128,000 new accounts in total and gained more than 40,000 new households.

WHAT'S THE TRUE VALUE OF A BRANCH?

These days, it seems like many of the big banks look at a branch and see a cost without much return. Many banks have decided to close or consolidate branches, pull out of certain areas, or do away with services they find to be too costly.

In 2018, our larger bank competitors closed a total of 83 locations in our footprint. Even locally-based banks followed the same pattern closing a total of 33 branches, and the trend doesn't seem to be slowing down. There are another 37 locations that have either already closed or are projected to close in 2019.

Over the past few years, we've also seen banks do away with simple services like coin counting and drive-thru hours. Some have even opted for electronic tellers to help save on staffing costs. These are all decisions that have a negative impact on customers.

Our branches serve as the catalyst for getting out and getting involved in our communities.

At Wintrust, we continue to invest in our branches, our people, and our communities. We know that doing so is in our customers' best interest. As true community banks, we understand the value of our branches. They serve as anchors in the community where our bankers, mortgage loan officers, and financial advisors help guide customers and clients toward the right financial solutions. We offer added-value services that so many other banks are taking away. We also host many of the events our communities have come to enjoy and depend on. Our branches serve as the catalyst for getting out and getting involved in our communities. In 2018, we hosted more than 1,100 educational seminars and workshops, partnered with more than 560 local organizations, and our employees volunteered more than 22,400 service hours, and those include just what was tracked for Community Reinvestment Act purposes.

With changing technology and shifting customer needs, we know the branch serves a different purpose than it once did. We're evolving with those changing needs. Where customers once depended on their banker for a five minute interaction weekly, they now rely on technology to meet their regular needs and maybe a 45-minute banker conversation every month or two. We've designed our branches with that in mind and have continued to put a lot of effort behind technology that improves customer experience.

In 2018, we rolled out Zelle®, a fast, safe, and easy way to send and receive money via mobile phone; Personal Finance, our budgeting service that allows users to see accounts across multiple institutions; and digital wallet, allowing customers to use Apple Pay®, Google Pay™, and Samsung Pay to make purchases with their mobile device. These are all tools that help ensure we're staying on top of our customers' requests for the latest technology.

When we talk about our branches, we also need to talk about the people across Wintrust who work so hard to make them what they are. In 2018, we continued to support our employees throughout the organization with expanded leadership and mentorship programs, delivered more than 117,000 training courses, and officially raised the minimum wage for eligible, noncommissioned, hourly employees to $15.

Our employees let us know they felt supported by making us a Chicago Tribune Top Workplace for the fifth consecutive year, moving our ranking up to number 11 on the list. Town Bank was also included on the Milwaukee Journal Sentinel's Top Workplace list, and HR consulting firm, Morneau Shepell, in association with the Globe and Mail, recognized FIRST Insurance Funding of Canada with an Employee Recommended Workplace Award for the third consecutive year.

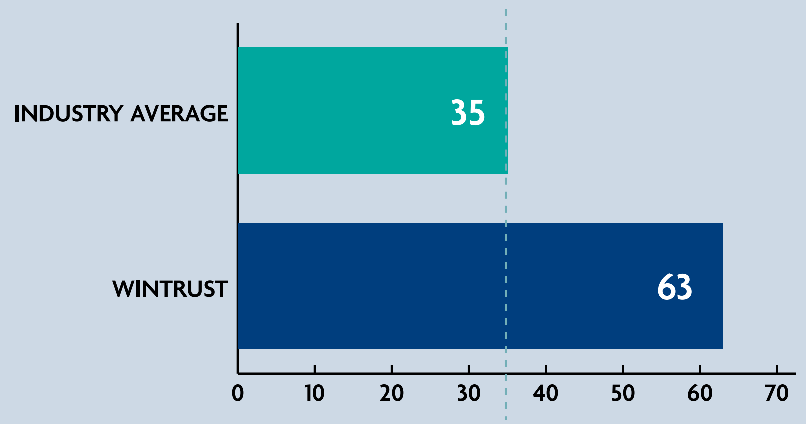
Our efforts to focus on diversifying our employee base, our industry, and the communities we're part of goes a long way in supporting our customers. 2018 marked our fourth year as a leadership member of the Financial Services Pipeline Initiative (FSP). FSP, along with other financial services and banking companies across Chicago, focuses on improving diversity within the industry, both by attracting minority employees and elevating them into leadership positions and by partnering with minority-owned businesses. At one point in time, many of the largest companies were manufacturers. Today, many of the fastest growing, highest paid positions are within the financial services and technology industries. So, the FSP works toward closing the wealth gap by focusing on providing more minority opportunity in the financial services industry.

This year, we continued to expand our internal diversity and inclusion initiatives and hosted our Executive Diversity Forum to align top senior executive leaders in working towards diversity and inclusion. We also continued our heritage month events and held our first LGBTQ event for Pride Month. We will continue to support diversity and inclusion in our own company and the communities we serve.

WHAT'S THE TRUE VALUE OF A BRANCH? cont.

We also created the Wintrust Community Impact team in 2018, working to build stronger communities and strengthen local economies. The group is focused on strategic, holistic ways to support the communities within our footprint. Wintrust Community Impact works with organizations such as the Women's Business Development Center, i.c. stars, Chinese American Service League, USO of Illinois, SCORE, and the Museum of Science and Industry to sponsor programming that has a lasting, sustainable benefit for local communities.

We know the focus on our branches, our people, our customers, and our communities is serving us well when we look at our 2018 Net Promoter Score (NPS). The NPS uses a zero to 10 scale to allow customers to rate us on how willing they are to refer our banks to friends and family. Nine and 10 ratings are considered promoters, seven and eight are neutral, six and below are detractors. The percentage of promoters minus the percentage of detractors gives us our NPS. Our 2018 NPS went up five percentage points over the previous year to 63%, compared to the industry average of 35%. And, according to industry data, some of the biggest players in our market score much lower than the industry average.

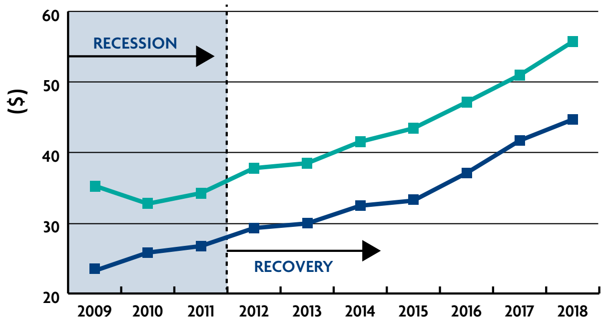


2018 WINTRUST NET PROMOTER SCORE℠ COMPARED TO INDUSTRY AVERAGE

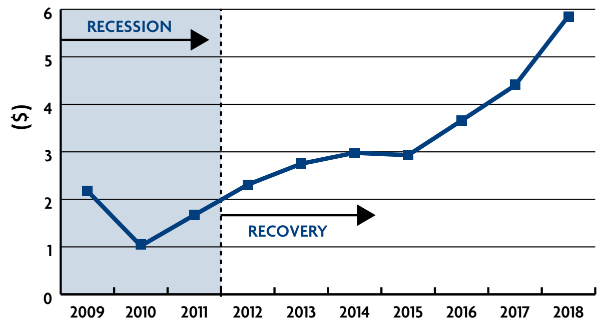
Source: Bain/Research "Customer Loyalty in Retail Banking: Global Edition 2018," Net Promoter Score by bank type, US. Used with permission from Bain & Company - www.bain.com. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld.

We also know that putting our customers first has benefits for you, our shareholders, as it helps us deliver value on your investment. Our book value per common share increased, growing from $50.96 in 2017 to $55.71 in 2018, and our tangible book value per common share grew from $41.68 in 2017 to $44.67 in 2018. Our net income for the year was $343.2 million, or $5.86 per diluted common share, compared to $4.40 in 2017, up 33%. These numbers continue to show our commitment to enhancing shareholder value.

BOOK VALUE PER COMMON SHARE vs TANGIBLE BOOK VALUE PER COMMON SHARE[1]



EARNINGS PER DILUTED COMMON SHARE



(1) See Appendix, "Non-GAAP Financial Measures/Ratios," for 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.

OUR COMMITMENT TO SERVING *EVERYONE*

In October of 2018, Wintrust leadership met with students, interns, and representatives from Year Up Chicago, a partner organization focused on providing urban young adults with the skills, experience, and support to reach their full potential through professional careers and higher education. The meeting was an open dialogue about the importance and value of serving some of the most underrepresented Chicago neighborhoods.

The Year Up Chicago students gave a presentation focused on several under-resourced neighborhoods: Austin, Bronzeville, and Humboldt Park. They spoke in depth about the racial and ethnic breakdown; history; education and employment status; and potential opportunity of each community. Some commonalities within each neighborhood included: a sense of camaraderie and pride among residents of these tight-knit neighborhoods, the lack of banking possibilities that are available currently, and the untapped potential of the people who live there.

The student input was helpful when considering these neighborhoods and we were already scheduled to open a location in the Austin neighborhood in 2019. Some of those same qualities are also part of a couple other neighborhoods we plan to join in the coming year as well: North Lawndale and Little Village.

Wintrust President, Founder & CEO Ed Wehmer, and other Wintrust leadership, reiterated to the group that Wintrust wants to serve all of Chicago's neighborhoods. It's just a matter of when the opportunities arise.

The themes of the Year Up Chicago meeting speak to something larger for us: To be Chicago's Bank®, we know we need to continue to grow in diverse communities across our marketplace. This is something we're passionate about and something we do because we want to.

We know we have obligations when it comes to Community Reinvestment Act regulations, and we exceed those obligations. As of the end of 2018, 13 of our 15 charters have received an "outstanding" CRA rating. That's 87% of our banks with "outstanding" ratings. Only 7.6% of the 2,500 banks examined during 2018 received that designation. For us, it's not about what we have to do. We've always gone above and beyond to be a company that invests in our local communities because we know that's just what's right.

THE EXPANSION OF WINTRUST UNIVERSITY

Although we've always had a full range of training programs, in 2018, we formalized our training under an exciting new initiative: Wintrust University. The corporate university offers a number of courses our employees need to stay compliant with industry regulations and also provides professional development programs.

Internal executives and senior leadership have been appointed to serve as advisors, deans, and faculty. These representatives also serve as the university's governing committee and thought leaders.

Wintrust University isn't just for Wintrust employees. There is also an entire course catalog, a compliment to the classes we already offer, which will be rolled out to our communities to help provide expanded financial literacy. These offerings will allow us to forge deeper relationships with existing and potential clients with educational opportunities, like financial planning seminars, succession planning workshops, Money Smart courses, and general financial literacy.

WE'RE DEDICATED TO THE MORTGAGE INDUSTRY

We know mortgage origination is a core service our customers expect from a community bank, so we're not going anywhere.

It's no secret that the state of the mortgage industry is challenging. 2018 saw a housing shortage, first-time homebuyer affordability concerns, fluctuating rates, a reduction in refinance transactions, an elevated cost to originate loans, industry consolidation, and an oversupply of competition in the market. Many believe these challenging trends are likely to continue into 2019.

Despite the state of the industry, we know mortgage origination is a core service our customers expect from a community bank, and we're committed to this space. We're always working to improve our delivery systems and make the process more efficient and cost-effective.

Much of what happens in the mortgage market is outside of our control. While others are jumping ship or consolidating, we've spent our time preparing for the headwinds we saw coming in the market. We've spent the last few years strengthening product offerings; expanding services and reach with strategic acquisitions; investing in technology; and expanding our in-house loan servicing.

Wintrust Mortgage launched its digital mortgage application tool, Wintrust Zoom, in 2018. The tool allows users to apply for and onboard a mortgage any time, any place, using their smart phone, tablet, or computer. The application process is simple and convenient, helping to improve customer experience, shorten fulfillment times, and reduce the overall cost of originating a mortgage loan.

Although many companies offer mortgage application tools, Wintrust Zoom differs from most others in that Wintrust Mortgage loan officers can seamlessly help at any step along the way. We offer an exceptional tool with the expertise that only our people can provide, marrying our unmatched level of customer service with advanced technology.

We work hard to offer a comprehensive mortgage product menu. We've made specific effort the past few years to strengthen our portfolio loan product offering as a valued complement to our conforming, jumbo, government, and niche loan options. These portfolio loan programs have been profitable, reliable, and set us apart from our competition.

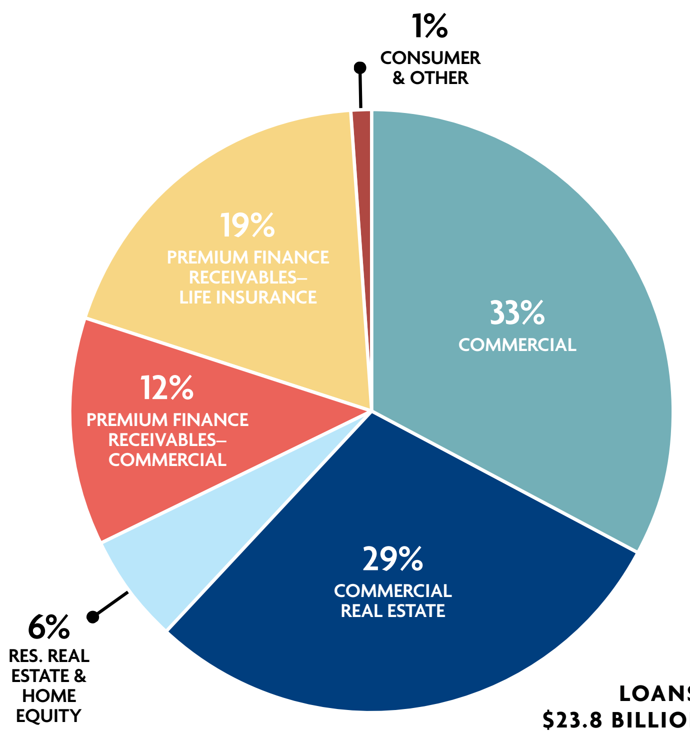
Wintrust Mortgage also finalized the acquisition of certain assets of Veterans First Mortgage in 2018. Although we were strong at lending to veterans and their families before, the expansion has helped solidify that focus and helps position Wintrust Mortgage for growth in the consumer direct business. More than 20% of our originations are made up of Veterans Affairs (VA) loans, making

Wintrust Mortgage one of the top 20 retail VA originators in the country.

Despite a challenging mortgage market, Wintrust Mortgage continues to be a top lender and has proven a reliable, trustworthy brand. In 2018, Wintrust Mortgage originated $4.0 billion in residential mortgages and serviced approximately $6.5 billion in loans as of December 31, 2018.

Mortgages are one of the biggest financial investments for our customers—and homeownership continues to be one of the best paths to personal wealth creation in the U.S.—so, they need a company they can rely on. That's why we remain committed to this space and to offering the services that make us true community banks.

We offer the big bank capabilities with a community bank relationship.



LOANS: $23.8 BILLION (EXCLUDING LOANS HELD-FOR-SALE AND COVERED LOANS)

When we talk about trends in the industry, we can't ignore the increase of nontraditional lenders, like private equity firms, fintech companies, and peer-to-peer groups. These lenders are relatively new to the space and generally provide quick financing, technology-driven delivery systems, and favorable loan requirements for businesses that may not otherwise qualify for a traditional loan. There is no consistent regulatory body overseeing nontraditional lenders.

Our benign credit environment has given these lenders the opportunity to aggressively expand. There's a tremendous amount of money to be lent because rates have been low for so long. What happens to these nontraditional lenders through a cycle remains to be seen. Their approach to lending isn't right or wrong; it's just different from what we do. We believe there are no quick fixes when it comes to lending.

At Wintrust, we're in it for the long haul. The basics of lending and credit quality haven't changed. Good lending follows the four Cs: condition, character, capacity, and capital. Following those basics has served us well for 27 years and allows us to continue to work within our regulatory framework, because,

WHEN IT COMES TO LENDING,

unlike many nontraditional lenders, we lend within a very regulated environment.

Those solid principles guide all of our lending efforts, especially our commercial, middle market, and business loan decisions. In 2018, following safe and conservative lending practices, we increased our loan portfolio balances by $2.2 billion, a 10% increase over 2017.

And, while nontraditional lenders are offering technology and convenience, there's one area where they simply can't compete: relationships. Across our organization, our customer and client relationships are a huge focus and something that gives us an edge. For commercial banking, that's no different. Our services are high-touch. Our clients are our top priority.

That client focus continued to serve us well in 2018. Commercial middle market banking deposits grew $542 million, a 13% increase over 2017; we formed hundreds of new relationships; and we had our best year so far in product partner revenue, meeting or exceeding goals in treasury management, international banking, leasing, swaps, and corporate card services.

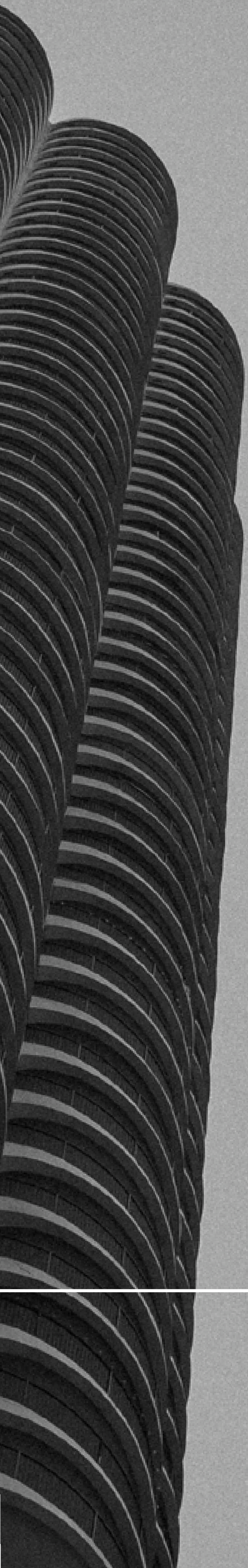
We're traditional lenders, but that doesn't mean we don't embrace new ideas or technology. Our treasury management initiatives in 2018 are proof. We released Winvoice, our invoice and payment automation system, that integrates with major accounting systems to improve the entire payment process. With Winvoice, business owners can stop manually entering invoices, chasing approvals, waiting for authorizations, and tracking payments. We also rolled out a new online system for foreign currency and are putting in a trade system to better handle imports and exports for our international clients.

The value proposition you've heard from us more than once applies here: We offer the big bank capabilities with the community bank relationships. We're focused on consistency and quality within lending, relationships, and technology. That positioning continues to work in our favor and earned us recognition again from Greenwich Associates. This year, we were recognized with three awards in the Middle Market Banking in the Midwest category: Overall Satisfaction, Cash Management Overall Satisfaction, and Likelihood to Recommend.

WHERE OTHERS SHY AWAY,

WE LEAN IN

Our customers always come first. When it comes to expanding into new areas to meet their needs, we seize opportunities.

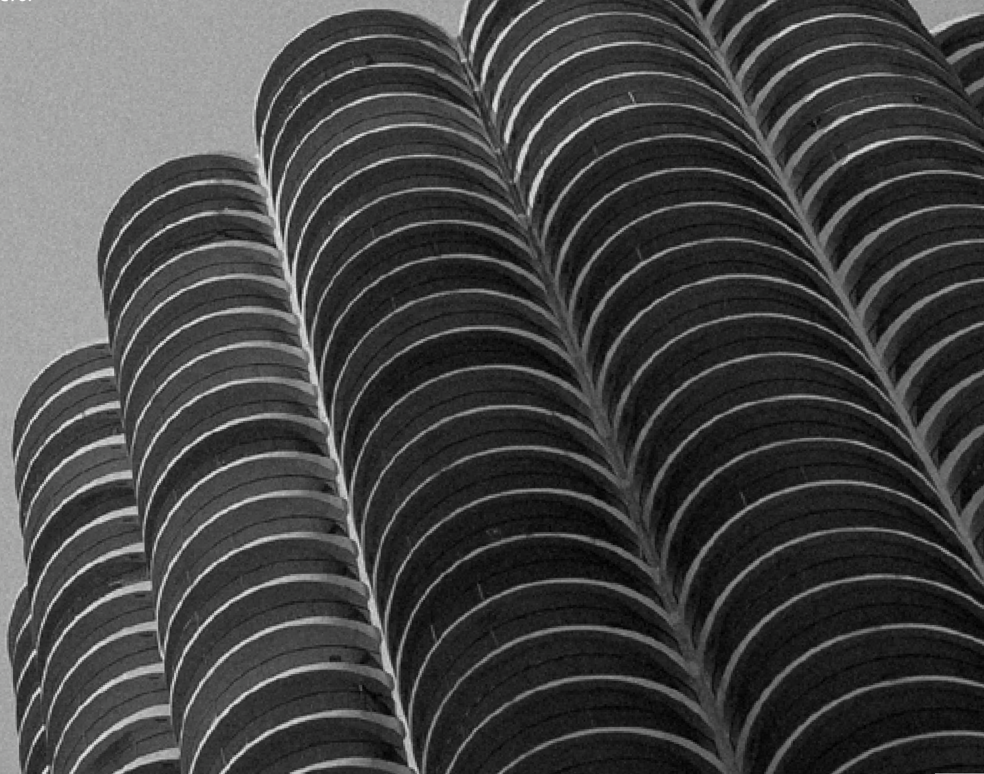


Over the last several years, we've seen our big bank competitors pull away from specialized services and industries they don't think are worth the investment or clients they don't think are worth the time. For some, that means abandoning or scaling back industry specialties. For others, it means picking and choosing which clients are big enough to be worth the effort, which we've seen in a number of different financial service areas. Many banks have also opted for a centralized service model to cut costs and have, in turn, negatively impacted customer service.

While other companies move away from personalized service, we're putting more effort behind the resources that improve client relationships. Any functions that are being centralized by us are things that either don't impact customer-facing interactions or help provide better customer service by making it easier to reach us. At the end of the day, our bankers and business units provide each client with unmatched, personalized service, and that's how we're keeping it.

We've also continued to diversify offerings and expand into new areas. This doesn't mean we're compromising our conservative lending practices to stay in certain sectors, but we don't turn anyone away based solely on the industry they're part of. We keep in mind what's happening in the market, but work with each client individually. We also believe creating specialized groups that serve specific markets helps us better understand and serve our customers. Our clients always come first. When it comes to expanding into new areas to better meet their needs, we seize opportunities.

This year, we've done so on several occasions to help us reach a wider range of middle market customers. We launched Wintrust Receivables Finance, which provides working capital financing facilities to companies that are unable to obtain the working capital financing support they need through a traditional commercial bank line of credit. We also created Wintrust Specialty Finance, our new small business-focused vendor equipment finance division. The group operates nationwide and focuses on quick turnaround transactions up to $300,000 and can handle transactions as large as $1.5 million.
We continue to look for opportunities to expand services that require specialized attention to best serve our customers.



WHERE OTHERS SHY AWAY, WE LEAN IN (cont.)

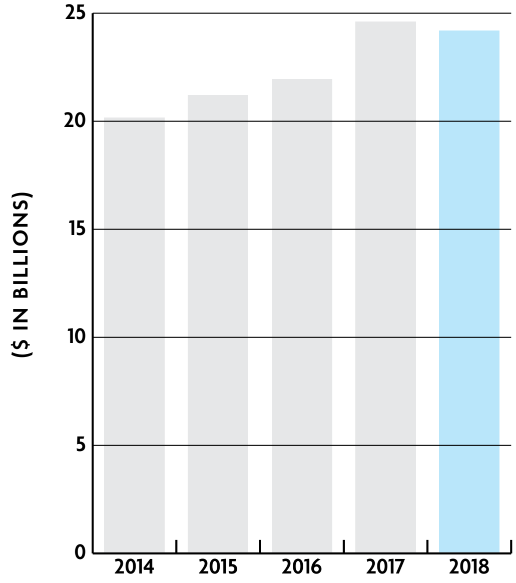
Our first and oldest specialty service niche group, FIRST Insurance Funding (FIRST), continues to be one of the largest commercial insurance premium finance companies in North America. Like our other specialties, the division works with clients to offer customized programs tailored for clients' specific needs.

FIRST, along with our life insurance premium finance group, Wintrust Life Finance (Wintrust Life), and our Canadian insurance premium financing company, FIRST Insurance Funding of Canada (FIRST Canada), continued to make up close to a third of our loan portfolio. In 2018, FIRST and FIRST Canada originated approximately $6.8 billion in commercial insurance premium finance receivables and had $2.8 in outstandings. Wintrust Life had outstanding loan balances of $4.5 billion compared with $4.0 at the end of 2017.

No matter which of our groups or bankers a client approaches, there is no business too small to be a valued client. We often have prospects ask, what's your minimum size requirement? Our answer is simple: If you're in our footprint, there is no minimum size.

Wintrust Wealth Management has definitely encountered this industry trend. Many of our big competitors have moved their client minimums up from the $3-5 million range to $10 million or higher and have steered away from tailored solutions.

WEALTH MANAGEMENT ASSETS UNDER ADMINISTRATION



We've also seen competitors in the wealth management space use technology to automate financial advice. The companies provide a risk profile based on a few online questions. It's a technique some are using for smaller clients so they don't have to

dedicate resources to serving simple portfolios. Wintrust Wealth Management continues to serve clients of all sizes and provides personalized offerings based on specific needs. We're formalizing a team of advisors who specialize in supporting smaller clients and providing better support.

Wintrust Wealth Management has grown to more than $100 million in gross revenue because of that client-centric focus. The group now has more than 160 financial professionals managing more than $24 billion in assets for clients across the area. In 2018, Wintrust Wealth Management also enhanced its suite of services with the acquisition of the Chicago Deferred Exchange Company. The group provides powerful tax-advantaged transaction services for real estate investors.

Wintrust Asset Finance (WAF) and Wintrust Commercial Finance (WCF) have seen similar trends in the market. The groups focus on customized lease and equipment finance solutions. As some of the big national banks have merged or acquired others, competition remains fierce, but there's also been opportunities as customers search for companies with customer-centric service.

That has helped both groups grow over the last few years. WCF spent 2018 continuing to develop its national direct origination platform and ranks among the top 50 bank finance leasing companies in the U.S. according to the Monitor Daily, an industry specific trade publication.

Our team approach is another thing that sets us apart from our competition. We're not afraid to pair the services of multiple groups or divisions to gain a client relationship. A recent deal closed by our employee stock ownership plan (ESOP) group along with our construction, engineering and architecture group is a successful example of this.

The prospect was a local contractor, and two competitors were also vying for the business. On paper, our competitors offered more competitive terms than we did, but it was our customized, customer-centric approach of offering a combination of our specialty groups—in this case, ESOP and contractor services—that won us the business. This strategy isn't unique to Wintrust ESOP. It's the approach our groups take across the organization.

THE IMPORTANCE OF A *GOOD* PARTNERSHIP

Over the years, we've formed a number of impressive sponsorships. 2018 was no different. But, a sponsorship for us isn't your average sponsorship. It's a partnership.

As Chicago's Bank® and Wisconsin's Bank®, we're strategic about making sure we work with organizations that are not just in the areas we serve, but are iconic to them. When you think of Chicago or Wisconsin, you think of these groups, places, and events: the Chicago Cubs, the Chicago White Sox, DePaul University, Marquette University, Chicago Yacht Club's Race to Mackinac, Chicago History Museum, Illinois Bicentennial, the Chicago Flower & Garden Show®, and the Chicago Auto Show.

This year, we formed some very exciting new partnerships. We not only expanded our college-based sponsorships with Marquette University, but also added Northwestern University Athletics. We signed on to sponsor the Chicago Auto Show for the first time and continued the relationship in 2019. We also became the exclusive banking partner of the Pabst Theater Group in Milwaukee.

For us, it also goes beyond iconic events, teams, and institutions. We love to support the things that really make a difference in this area. We believe in shining a light on the great organizations that are doing such important work in our footprint and connecting others to those organizations. That's why we focus on showcasing local nonprofits on the Mural Building along the Kennedy Expressway. It's also why we host events like our junior board nonprofit networking event for young leaders.

We know that the better this area does, the better we all do. It's in our best interest to be a company that gives back and partners with organizations that are making the greatest impact. Many of these relationships are formed through Wintrust Government, Non-Profit & Healthcare (GNPH), our specialty group focused on providing banking support to mission-based organizations.

Through GNPH, we have more than 300 local not-for-profit and government entities who rely on us. Some notable relationships include: DePaul University, Marquette University, Benedictine University, Northwestern Medicine, Jewish Federation of Metropolitan Chicago, Misericordia, United Way of Metro Chicago, Catholic Charities of the Archdiocese of Chicago, and a number of villages, townships and school districts across our footprint, to name a few.

Only Chicago's Bank® and Wisconsin's Bank® partner with the institutions that mean so much to those areas. It's these kinds of relationships that let people know we're committed to the communities we serve.

WE'RE *RIGHT* WHERE WE WANT TO BE

In 2011, at our 20th year, when we said we wanted to be Chicago's Bank® and Wisconsin's Bank®, we knew those were lofty goals. We also recognized that those were roles we were uniquely qualified to fill. Today, that's truer than ever.

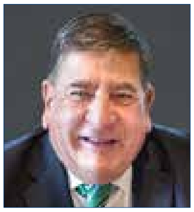
The changes in our market have allowed us to seize many opportunities, but it's not just market disruptions that make us who we are. We built this Company on a foundation that, 27 years after our founding, continues to keep us healthy and growing. We provide exceptional customer service. We keep our customers and communities at the center of what we do. We give back to the organizations, initiatives, and events that matter most to this area. We support and value our people. We deliver for you, our shareholders. Those are the actions that make us Chicago's Bank® and Wisconsin's Bank®.

We continue to strive to deliver personalized service, which is harder and harder for our competitors. Today, there's no one quite like us. We don't fit with the big guys, we don't fit with the little guys, and we're certainly not structured like anyone else. We occupy a space all our own.

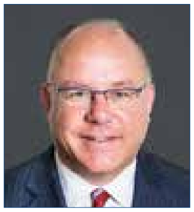
When we look forward to the coming year, we have a lot that we're ready to accomplish. We can't say for certain what will happen in the industry or what changes will come to the market. There is only one certainty for us: We've built a company that is ready to continue on and handle what comes. We have our customers, communities, employees, and shareholders to thank for making us who we are.

We hope to see you at our annual meeting at 9 a.m. CDT, May 23, 2019, at our corporate headquarters at 9700 W. Higgins Rd. in Rosemont, Illinois. Until then, thank you for being a shareholder.

Sincerely,



Edward J. Wehmer
President, Chief Executive Officer & Founder



David A. Dykstra
Senior Executive Vice President & Chief Operating Officer

WINTRUST COMMUNITY BANKS

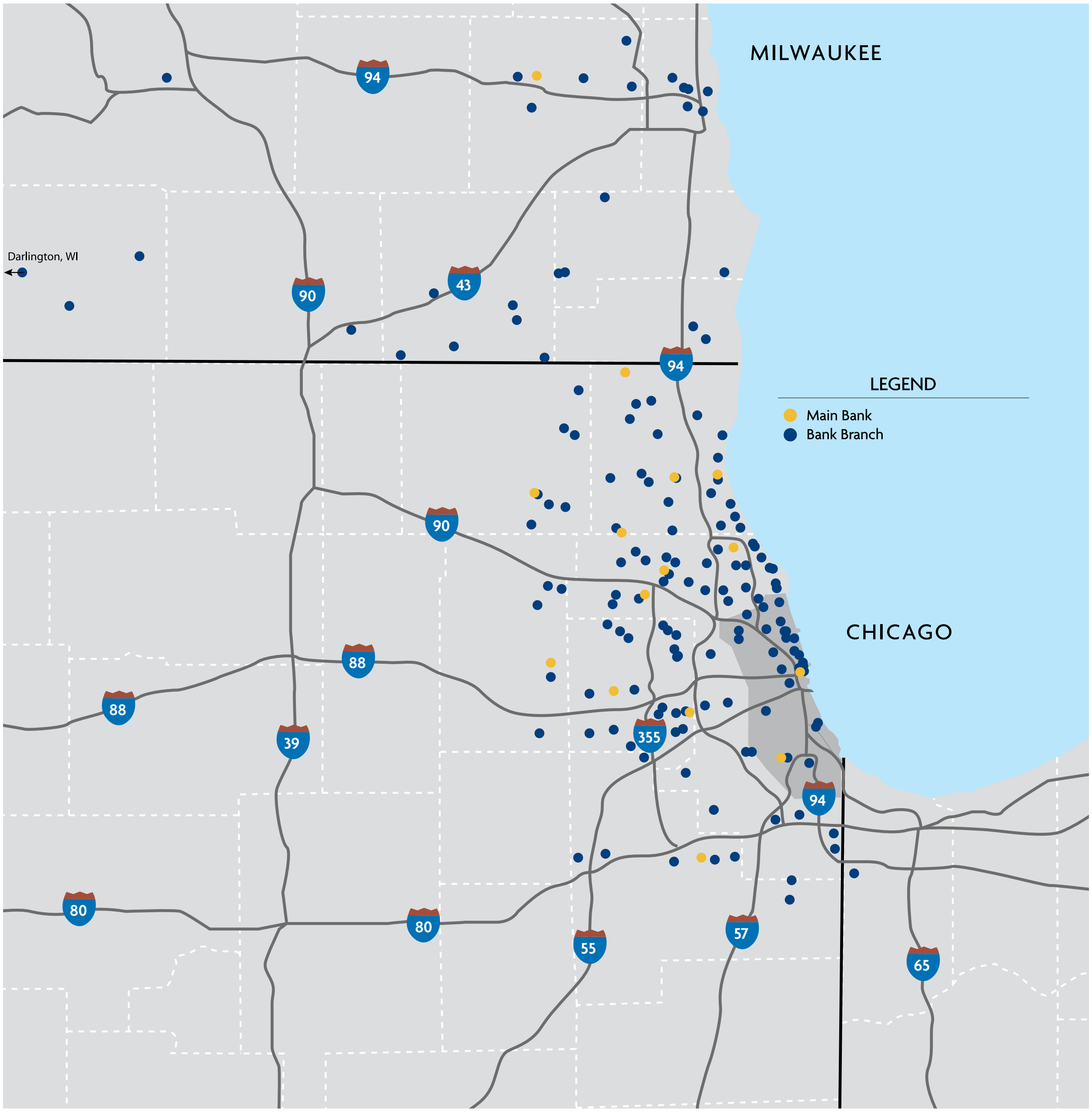
OUR COMMUNITY BANK BRANDS

- Addison Bank & Trust
- Algonquin Bank & Trust
- Aurora Bank & Trust
- Barrington Bank & Trust Company, N.A.
- Beverly Bank & Trust Company N.A.
- Bloomingdale Bank & Trust
- Bank of Highwood-Fort Sheridan
- Bolingbrook Bank & Trust
- Brighton Park Community Bank
- Buffalo Grove Bank & Trust
- Cary Bank & Trust
- Community Bank of Downers Grove
- The Community Bank of Western Springs
- Community Bank of Willowbrook
- Clarendon Hills Bank
- Crystal Lake Bank & Trust Company, N.A.
- Des Plaines Bank & Trust
- Deerfield Bank & Trust
- Dyer Bank & Trust
- Elgin State Bank
- Elk Grove Village Bank & Trust
- Evanston Community Bank & Trust
- First National Bank of Illinois
- First National Bank of Evergreen Park
- Geneva Bank & Trust
- Glen Ellyn Bank & Trust
- Glenview Bank & Trust
- Gurnee Community Bank
- Hanover Park Community Bank
- Highland Park Bank & Trust
- Hinsdale Bank & Trust Company
- Hoffman Estates Community Bank
- Hyde Park Bank
- Joliet Bank & Trust
- Lake Forest Bank & Trust Company, N.A.
- Lemont Bank & Trust
- Libertyville Bank & Trust Company
- Markham Bank & Trust
- McHenry Bank & Trust
- Mundelein Community Bank
- Naperville Bank & Trust
- Northbrook Bank & Trust Company
- North Chicago Community Bank
- North Shore Community Bank & Trust Company
- Northview Bank & Trust
- Oak Lawn Bank & Trust
- Old Plank Trail Community Bank NA
- Orland Park Bank & Trust
- Palatine Bank & Trust
- Proviso Community Bank
- Pullman Bank & Trust
- Riverside Bank
- Roselle Bank & Trust
- State Bank of the Lakes
- Schaumburg Bank & Trust Company, N.A.
- Shorewood Bank & Trust
- South Holland Bank & Trust
- Suburban Bank & Trust
- St. Charles Bank & Trust Company
- Town Bank
- Vernon Hills Bank & Trust
- Village Bank & Trust
- Wauconda Community Bank
- Wheaton Bank & Trust Company
- Wintrust Bank Chicago
- Wood Dale Bank & Trust

OUR SPECIALIZED BRANDS

- The Chicago Trust Company
- First Insurance Funding – A Wintrust Company
- First Insurance of Canada Funding – A Wintrust Company
- Great Lakes Advisors – A Wintrust Wealth Management Company
- Tricom
- Wintrust Business Credit
- Wintrust Capital
- Wintrust Capital Markets
- Wintrust Commercial Banking
- Wintrust Commercial Finance
- Wintrust Commercial Real Estate
- Wintrust Community Advantage
- Wintrust Construction, Engineering, Architecture
- Wintrust ESOP Finance
- Wintrust Equipment Finance
- Wintrust Family Office Banking
- Wintrust Franchise Finance
- Wintrust Funds Group
- Wintrust Government Funds
- Wintrust Government, Non-Profit, Healthcare
- Wintrust Life Finance
- Wintrust Insurance Banking
- Wintrust International Services
- Wintrust Investments
- Wintrust Mortgage
- Wintrust Professional Practice Group
- Wintrust Receivables Finance – Part of Wintrust Business Credit
- Wintrust SBA Lending
- Wintrust Specialty Finance
- Wintrust Sponsor Finance
- Wintrust Wealth Management
- Wintrust Wealth Services
- Wintrust Ventures

OUR BANK LOCATIONS



WINTRUST

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APPENDIX: 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 common book value per share and return on average tangible common equity. Management believes that these measures and ratios provide users of the Company's financial information a more meaningful view of the performance of the 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. 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.

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

	Years Ended December 31,				
(Dollars and shares in thousands, except per share data)	**2018**	2017	2016	2015	2014
Calculation of Net Interest Margin and Efficiency Ratio					
(A) Interest Income (GAAP)	**$ 1,170,810**	$ 946,468	$ 812,457	$ 718,464	$ 671,267
Taxable-equivalent adjustment:					
-Loans	**3,403**	3,760	2,282	1,431	1,128
-Liquidity management assets	**2,258**	3,713	3,630	3,221	2,000
-Other earning assets	**11**	14	40	57	41
(B) Interest Income - FTE	**$ 1,176,482**	$ 953,955	$ 818,409	$ 723,173	$ 674,436
(C) Interest Expense (GAAP)	**205,907**	114,392	90,264	76,935	72,692
(D) Net interest Income - FTE (B minus C)	**$ 970,575**	$ 839,563	$ 728,145	$ 646,238	$ 601,744
(E) Net Interest Income (GAAP) (A minus C)	**$ 964,903**	$ 832,076	$ 722,193	$ 641,529	$ 598,575
Net interest margin (GAAP-derived)	**3.59%**	3.41%	3.24%	3.34%	3.51%
Net interest margin — FTE	**3.61**	3.44	3.26	3.36	3.53
(F) Non-interest income (GAAP)	**$ 356,150**	$ 319,506	$ 325,430	$ 271,597	$ 215,240
(G) (Losses) gains on investment securities, net (GAAP)	**(2,898)**	45	7,645	323	(504)
(H) Non-interest expense (GAAP)	**826,088**	731,817	681,685	628,419	546,847
Efficiency ratio (H/(E+F-G))	**62.40%**	63.55%	65.55%	68.84%	67.15%
Efficiency ratio - FTE (H/(D+F-G))	**62.13**	63.14	65.18	68.49	66.89
Calculation of Tangible Common Equity ratio (at period end)					
Total shareholders' equity (GAAP)	**$ 3,267,570**	$ 2,976,939	$ 2,695,617	$ 2,352,274	$ 2,069,822
(I) Less: Convertible preferred stock (GAAP)	**—**	—	(126,257)	(126,287)	(126,467)
Less: Non-convertible preferred stock (GAAP)	**(125,000)**	(125,000)	(125,000)	(125,000)	—
Less: Goodwill and other intangible assets (GAAP)	**(622,565)**	(519,505)	(520,438)	(495,970)	(424,445)
(J) Total tangible common shareholders' equity	**$ 2,520,005**	$ 2,332,434	$ 1,923,922	$ 1,605,017	$ 1,518,910
Total assets (GAAP)	**$ 31,244,849**	$ 27,915,970	$ 25,668,553	$ 22,909,348	$ 19,998,840
Less: Goodwill and other intangible assets (GAAP)	**(622,565)**	(519,505)	(520,438)	(495,970)	(424,445)
(K) Total tangible assets	**$ 30,622,284**	$ 27,396,465	$ 25,148,115	$ 22,413,378	$ 19,574,395
Tangible common equity ratio (J/K)	**8.2%**	8.5%	7.7%	7.2%	7.8%
Tangible common equity ratio, assuming full conversion of preferred stock ((J-I)/K)	**8.2**	8.5	8.2	7.7	8.4
Calculation of book value per common share					
Total shareholders' equity (GAAP)	**$ 3,267,570**	$ 2,976,939	$ 2,695,617	$ 2,352,274	$ 2,069,822
Less: Preferred stock (GAAP)	**(125,000)**	(125,000)	(251,257)	(251,287)	(126,467)
(L) Total common equity	**$ 3,142,570**	$ 2,851,939	$ 2,444,360	$ 2,100,987	$ 1,943,355
(M) Actual common shares outstanding	**56,408**	55,965	51,881	48,383	46,805
Book value per common share (L/M)	**$ 55.71**	$ 50.96	$ 47.12	$ 43.42	$ 41.52
Tangible book value per common share (J/M)	**44.67**	41.68	37.08	33.17	32.45
Calculation of return on average common equity					
(N) Net income applicable to common shares	**$ 334,966**	$ 247,904	$ 192,362	$ 145,880	$ 145,075
Add: After-tax intangible asset amortization	**3,407**	2,907	2,986	2,879	2,881
(O) Tangible net income applicable to common shares	**$ 338,373**	$ 250,811	$ 195,348	$ 148,759	$ 147,956
Total average shareholders' equity	**$ 3,098,740**	$ 2,842,081	$ 2,549,929	$ 2,232,989	$ 1,993,959
Less: Average preferred stock	**(125,000)**	(165,114)	(251,258)	(191,416)	(126,471)
(P) Total average common shareholders' equity	**$ 2,973,740**	$ 2,676,967	$ 2,298,671	$ 2,041,573	$ 1,867,488
Less: Average intangible assets	**(548,223)**	(519,910)	(506,241)	(466,225)	(408,642)
(Q) Total average tangible common shareholders' equity	**$ 2,425,517**	$ 2,157,057	$ 1,792,430	$ 1,575,348	$ 1,458,846
Return on average common equity (N/P)	**11.26%**	9.26%	8.37%	7.15%	7.77%
Return on average tangible common equity (O/Q)	**13.95**	11.63	10.90	9.44	10.14