

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

FORM 10-Q

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

For the quarterly period ended June 30, 2024

OR

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

For the transition period from _____ to _____

Commission File Number 001-35077

WINTRUST FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Illinois
(State of incorporation or organization)

36-3873352
(I.R.S. Employer Identification No.)

9700 W. Higgins Road, Suite 800
Rosemont, Illinois 60018
(Address of principal executive offices)
(847) 939-9000

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
(Do not check if a 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 Exchange Act). Yes ☐ No ☒

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

Common Stock — no par value, 66,500,386 shares, as of August 6, 2024

TABLE OF CONTENTS

	<u>Page</u>
PART I. — FINANCIAL INFORMATION	
ITEM 1. Financial Statements	1
ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	49
ITEM 3. Quantitative and Qualitative Disclosures About Market Risk	77
ITEM 4. Controls and Procedures	79
PART II. — OTHER INFORMATION	
ITEM 1. Legal Proceedings	79
ITEM 1A. Risk Factors	80
ITEM 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities	80
ITEM 3. Defaults Upon Senior Securities	NA
ITEM 4. Mine Safety Disclosures	NA
ITEM 5. Other Information	80
ITEM 6. Exhibits	81
Signatures	82

PART I **ITEM 1. FINANCIAL STATEMENTS**

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES *CONSOLIDATED STATEMENTS OF CONDITION*

	(Unaudited) June 30, 2024	December 31, 2023	(Unaudited) June 30, 2023
(Dollars in thousands, except per share data)			
Assets			
Cash and due from banks	\$ 415,462	\$ 423,404	\$ 513,858
Federal funds sold and securities purchased under resale agreements	62	60	59
Interest-bearing deposits with banks	2,824,314	2,084,323	2,163,708
Available-for-sale securities, at fair value	4,329,957	3,502,915	3,492,481
Held-to-maturity securities, at amortized cost, net of allowance for credit losses of \$491, \$347 and \$406 at June 30, 2024, December 31, 2023 and June 30, 2023, respectively (\$3.1 billion, \$3.2 billion and \$2.9 billion fair value at June 30, 2024, December 31, 2023 and June 30, 2023, respectively)	3,755,924	3,856,916	3,564,473
Trading account securities	4,134	4,707	3,027
Equity securities with readily determinable fair value	112,173	139,268	116,275
Federal Home Loan Bank and Federal Reserve Bank stock	256,495	205,003	195,117
Brokerage customer receivables	13,682	10,592	15,722
Mortgage loans held-for-sale, at fair value	411,851	292,722	338,728
Loans, net of unearned income	44,675,531	42,131,831	41,023,408
Allowance for loan losses	(363,719)	(344,235)	(302,499)
Net loans	44,311,812	41,787,596	40,720,909
Premises, software and equipment, net	722,295	748,966	749,393
Lease investments, net	275,459	281,280	274,351
Accrued interest receivable and other assets	1,671,334	1,551,899	1,455,748
Trade date securities receivable	—	690,722	—
Goodwill	655,955	656,672	656,674
Other acquisition-related intangible assets	20,607	22,889	25,653
Total assets	\$ 59,781,516	\$ 56,259,934	\$ 54,286,176
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest-bearing	\$ 10,031,440	\$ 10,420,401	\$ 10,604,915
Interest-bearing	38,017,586	34,976,769	33,433,792
Total deposits	48,049,026	45,397,170	44,038,707
Federal Home Loan Bank advances	3,176,309	2,326,071	2,026,071
Other borrowings	606,579	645,813	665,219
Subordinated notes	298,113	437,866	437,628
Junior subordinated debentures	253,566	253,566	253,566
Accrued interest payable and other liabilities	1,861,295	1,799,922	1,823,073
Total liabilities	54,244,888	50,860,408	49,244,264
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 June 30, 2024, December 31, 2023 and June 30, 2023	125,000	125,000	125,000
Series E - \$25,000 liquidation value; 11,500 shares issued and outstanding at June 30, 2024, December 31, 2023 and June 30, 2023	287,500	287,500	287,500
Common stock, no par value; \$1.00 stated value; 100,000,000 shares authorized at June 30, 2024, December 31, 2023 and June 30, 2023; 61,824,947 shares issued at June 30, 2024, 61,268,566 shares issued at December 31, 2023 and 61,219,240 shares issued at June 30, 2023	61,825	61,269	61,219
Surplus	1,964,645	1,943,806	1,923,623
Treasury stock, at cost, 64,808 shares at June 30, 2024, 24,940 shares at December 31, 2023, and 21,564 shares at June 30, 2023	(5,760)	(2,217)	(1,966)
Retained earnings	3,615,616	3,345,399	3,120,626
Accumulated other comprehensive loss	(512,198)	(361,231)	(474,090)
Total shareholders' equity	5,536,628	5,399,526	5,041,912
Total liabilities and shareholders' equity	\$ 59,781,516	\$ 56,259,934	\$ 54,286,176

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(Dollars in thousands, except per share data)				
Interest income				
Interest and fees on loans	\$ 749,812	\$ 621,057	\$ 1,460,153	\$ 1,179,749
Mortgage loans held-for-sale	5,434	4,178	9,580	7,706
Interest-bearing deposits with banks	19,731	16,882	36,389	30,350
Federal funds sold and securities purchased under resale agreements	17	1	36	71
Investment securities	69,779	51,243	139,457	111,186
Trading account securities	13	6	31	20
Federal Home Loan Bank and Federal Reserve Bank stock	4,974	3,544	9,452	7,224
Brokerage customer receivables	219	265	394	560
Total interest income	849,979	697,176	1,655,492	1,336,866
Interest expense				
Interest on deposits	335,703	213,495	635,235	358,297
Interest on Federal Home Loan Bank advances	24,797	17,399	46,845	36,534
Interest on other borrowings	8,700	8,485	17,948	16,339
Interest on subordinated notes	5,185	5,523	10,672	11,011
Interest on junior subordinated debentures	4,984	4,737	9,988	9,153
Total interest expense	379,369	249,639	720,688	431,334
Net interest income	470,610	447,537	934,804	905,532
Provision for credit losses	40,061	28,514	61,734	51,559
Net interest income after provision for credit losses	430,549	419,023	873,070	853,973
Non-interest income				
Wealth management	35,413	33,858	70,228	63,803
Mortgage banking	29,124	29,981	56,787	48,245
Service charges on deposit accounts	15,546	13,608	30,357	26,511
(Losses) gains on investment securities, net	(4,282)	0	(2,956)	1,398
Fees from covered call options	2,056	2,578	6,903	12,969
Trading gains, net	70	106	747	919
Operating lease income, net	13,938	12,227	28,048	25,273
Other	29,282	20,672	71,613	41,681
Total non-interest income	121,147	113,030	261,727	220,799
Non-interest expense				
Salaries and employee benefits	198,541	184,923	393,714	361,704
Software and equipment	29,231	26,205	56,962	50,902
Operating lease equipment	10,834	9,816	21,517	19,649
Occupancy, net	19,585	19,176	38,671	37,662
Data processing	9,503	9,726	18,795	19,135
Advertising and marketing	17,436	17,794	30,476	29,740
Professional fees	9,967	8,940	19,520	17,103
Amortization of other acquisition-related intangible assets	1,122	1,499	2,280	2,734
FDIC insurance	10,429	9,008	24,966	17,677
Other real estate owned expense, net	(259)	118	133	(89)
Other	33,964	33,418	66,464	63,575
Total non-interest expense	340,353	320,623	673,498	619,792
Income before taxes	211,343	211,430	461,299	454,980
Income tax expense	58,955	56,680	121,617	120,032
Net income	\$ 152,388	\$ 154,750	\$ 339,682	\$ 334,948
Preferred stock dividends	6,991	6,991	13,982	13,982
Net income applicable to common shares	\$ 145,397	\$ 147,759	\$ 325,700	\$ 320,966
Net income per common share—Basic	\$ 2.35	\$ 2.41	\$ 5.28	\$ 5.26
Net income per common share—Diluted	\$ 2.32	\$ 2.38	\$ 5.21	\$ 5.18
Cash dividends declared per common share	\$ 0.45	\$ 0.40	\$ 0.90	\$ 0.80
Weighted average common shares outstanding	61,839	61,192	61,660	61,072
Dilutive potential common shares	926	902	901	933
Average common shares and dilutive common shares	62,765	62,094	62,561	62,005

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(In thousands)				
Net income	\$ 152,388	\$ 154,750	\$ 339,682	\$ 334,948
Unrealized (losses) gains on available-for-sale securities				
Before tax	(20,768)	(46,231)	(98,656)	809
Tax effect	5,493	12,322	26,094	(215)
Net of tax	(15,275)	(33,909)	(72,562)	594
Reclassification of net gains on available-for-sale securities included in net income				
Before tax	1,204	2	1,178	562
Tax effect	(319)	(1)	(312)	(152)
Net of tax	885	1	866	410
Reclassification of amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale				
Before tax	14	28	64	71
Tax effect	(4)	(8)	(17)	(19)
Net of tax	10	20	47	52
Net unrealized (losses) gains on available-for-sale securities	(16,170)	(33,930)	(73,475)	132
Unrealized (losses) gains on derivative instruments				
Before tax	(10,843)	(106,431)	(92,934)	(71,765)
Tax effect	2,868	28,363	24,581	19,125
Net unrealized (losses) gains on derivative instruments	(7,975)	(78,068)	(68,353)	(52,640)
Foreign currency adjustment				
Before tax	(3,558)	6,527	(11,207)	7,417
Tax effect	653	(1,183)	2,068	(1,363)
Net foreign currency adjustment	(2,905)	5,344	(9,139)	6,054
Total other comprehensive (loss) income	(27,050)	(106,654)	(150,967)	(46,454)
Comprehensive income	\$ 125,338	\$ 48,096	\$ 188,715	\$ 288,494

See accompanying notes to unaudited consolidated financial statements.

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

(Dollars in thousands, except per share data)	Preferred stock	Common stock	Surplus	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at March 31, 2023	\$ 412,500	\$ 61,198	\$ 1,913,947	\$ (1,966)	\$ 2,997,263	\$ (367,436)	\$ 5,015,506
Net income	—	—	—	—	154,750	—	154,750
Other comprehensive loss, net of tax	—	—	—	—	—	(106,654)	(106,654)
Cash dividends declared on common stock, \$0.40 per share	—	—	—	—	(24,396)	—	(24,396)
Dividends on Series D preferred stock, \$0.41 per share and Series E preferred stock, \$429.69 per share	—	—	—	—	(6,991)	—	(6,991)
Stock-based compensation	—	—	8,108	—	—	—	8,108
Common stock issued for:							
Restricted stock awards	—	8	(8)	—	—	—	—
Employee stock purchase plan	—	13	894	—	—	—	907
Director compensation plan	—	—	682	—	—	—	682
Balance at June 30, 2023	\$ 412,500	\$ 61,219	\$ 1,923,623	\$ (1,966)	\$ 3,120,626	\$ (474,090)	\$ 5,041,912
Balance at January 1, 2023	\$ 412,500	\$ 60,797	\$ 1,902,474	\$ (304)	\$ 2,849,007	\$ (427,636)	\$ 4,796,838
Cumulative effect adjustment from the adoption of ASU 2022-02 (TDR), net of tax	—	—	—	—	(544)	—	(544)
Net income	—	—	—	—	334,948	—	334,948
Other comprehensive loss, net of tax	—	—	—	—	—	(46,454)	(46,454)
Cash dividends declared on common stock, \$0.80 per share	—	—	—	—	(48,803)	—	(48,803)
Dividends on Series D preferred stock, \$0.82 per share and Series E preferred stock, \$859.38 per share	—	—	—	—	(13,982)	—	(13,982)
Stock-based compensation	—	—	16,403	—	—	—	16,403
Common stock issued for:							
Exercise of stock options	—	54	2,162	—	—	—	2,216
Restricted stock awards	—	283	(283)	(1,662)	—	—	(1,662)
Employee stock purchase plan	—	22	1,579	—	—	—	1,601
Director compensation plan	—	63	1,288	—	—	—	1,351
Balance at June 30, 2023	\$ 412,500	\$ 61,219	\$ 1,923,623	\$ (1,966)	\$ 3,120,626	\$ (474,090)	\$ 5,041,912
Balance at March 31, 2024	\$ 412,500	\$ 61,798	\$ 1,954,532	\$ (5,757)	\$ 3,498,475	\$ (485,148)	\$ 5,436,400
Net income	—	—	—	—	152,388	—	152,388
Other comprehensive loss, net of tax	—	—	—	—	—	(27,050)	(27,050)
Cash dividends declared on common stock, \$0.45 per share	—	—	—	—	(28,256)	—	(28,256)
Dividends on Series D preferred stock, \$0.41 per share and Series E preferred stock, \$429.69 per share	—	—	—	—	(6,991)	—	(6,991)
Stock-based compensation	—	—	8,950	—	—	—	8,950
Common stock issued for:							
Restricted stock awards	—	18	(50)	(3)	—	—	(35)
Employee stock purchase plan	—	9	893	—	—	—	902
Director compensation plan	—	—	320	—	—	—	320
Balance at June 30, 2024	\$ 412,500	\$ 61,825	\$ 1,964,645	\$ (5,760)	\$ 3,615,616	\$ (512,198)	\$ 5,536,628
Balance at January 1, 2024	\$ 412,500	\$ 61,269	\$ 1,943,806	\$ (2,217)	\$ 3,345,399	\$ (361,231)	\$ 5,399,526
Net income	—	—	—	—	339,682	—	339,682
Other comprehensive loss, net of tax	—	—	—	—	—	(150,967)	(150,967)
Cash dividends declared on common stock, \$0.90 per share	—	—	—	—	(55,483)	—	(55,483)
Dividends on Series D preferred stock, \$0.82 per share and Series E preferred stock, \$859.38 per share	—	—	—	—	(13,982)	—	(13,982)
Stock-based compensation	—	—	18,107	—	—	—	18,107
Common stock issued for:							
Exercise of stock options	—	1	24	—	—	—	25
Restricted stock awards	—	523	(519)	(3,543)	—	—	(3,539)
Employee stock purchase plan	—	17	1,626	—	—	—	1,643
Director compensation plan	—	15	1,601	—	—	—	1,616
Balance at June 30, 2024	\$ 412,500	\$ 61,825	\$ 1,964,645	\$ (5,760)	\$ 3,615,616	\$ (512,198)	\$ 5,536,628

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)	Six Months Ended	
	June 30, 2024	June 30, 2023
Operating Activities:		
Net income	\$ 339,682	\$ 334,948
Adjustments to reconcile net income to net cash provided by operating activities		
Provision for credit losses	61,734	51,559
Depreciation, amortization and accretion, net	45,142	34,997
Stock-based compensation expense	18,107	16,403
(Accretion) amortization of discount/premium on securities, net	(347)	743
Accretion of discount and deferred fees on loans, net	(7,127)	(9,067)
Mortgage servicing rights fair value changes	1,448	13,190
Non-designated derivatives fair value changes, net	(9,566)	(2,088)
Originations and purchases of mortgage loans held-for-sale	(1,197,799)	(980,276)
Early buy-out exercises of mortgage loans held-for-sale guaranteed by U.S. government agencies, net of subsequent paydowns or payoffs	(3,896)	29,890
Proceeds from sales of mortgage loans held-for-sale	1,083,551	900,046
Bank owned life insurance ("BOLI") gains	(3,002)	(2,673)
Decrease (increase) in trading securities, net	573	(1,900)
(Increase) decrease in brokerage customer receivables, net	(3,090)	665
Gains on mortgage loans sold	(25,640)	(24,133)
Gains on premium financing receivables sold	(4,575)	—
Losses (gains) on investment securities, net	2,956	(1,398)
(Gains) losses on sales of premises and equipment, net	(112)	1,594
(Gains) losses on sales and fair value adjustments of other real estate owned, net	(316)	100
Increase in accrued interest receivable and other assets, net	(88,565)	(83,646)
Increase in accrued interest payable and other liabilities, net	83,207	129,238
Net Cash Provided by Operating Activities	292,365	408,192
Investing Activities:		
Proceeds from calls and sales of available-for-sale securities	690,866	1,875,672
Proceeds from payments and maturities of available-for-sale securities	193,605	156,892
Proceeds from payments, maturities and calls of held-to-maturity securities	100,276	84,015
Proceeds from sales of equity securities with readily determinable fair value	51,792	23,592
Proceeds from sales and capital distributions of equity securities without readily determinable fair value	2,226	67
Purchases of available-for-sale securities	(1,118,596)	(1,359,722)
Purchases of held-to-maturity securities	—	(8,439)
Purchases of equity securities with readily determinable fair value	(24,000)	(26,677)
Purchases of equity securities without readily determinable fair value	(5,972)	(5,600)
(Purchases) redemptions of Federal Home Loan Bank and Federal Reserve Bank stock, net	(51,492)	29,642
Distributions from investments in partnerships, net	2,239	4,995
Net cash paid in business combinations	—	(4,966)
Proceeds from sales of premium financing receivables, net	627,450	—
Proceeds from sales of other real estate owned	1,752	1,168
Increase in interest-bearing deposits with banks, net	(743,606)	(172,149)
Increase in loans, net	(3,241,661)	(1,820,788)
Redemption of BOLI	306	—
Purchases of premises and equipment, net	(49,759)	(9,318)
Net Cash Used for Investing Activities	(3,564,574)	(1,231,616)
Financing Activities:		
Increase in deposit accounts, net	2,651,854	1,136,159
(Decrease) increase in other borrowings, net	(28,103)	59,552
Increase (decrease) in Federal Home Loan Bank advances, net	850,238	(290,000)
Cash payments to settle contingent consideration liabilities recognized in business combinations	—	(57)
Repayment of subordinated notes	(140,000)	—
Issuance of common shares resulting from the exercise of stock options, employee stock purchase plan and director compensation plan	3,284	5,168
Common stock repurchases for tax withholdings related to stock-based compensation	(3,539)	(1,662)
Dividends paid	(69,465)	(62,785)
Net Cash Provided by Financing Activities	3,264,269	846,375
Net (Decrease) Increase in Cash and Cash Equivalents	(7,940)	22,951
Cash and Cash Equivalents at Beginning of Period	423,464	490,966
Cash and Cash Equivalents at End of Period	\$ 415,524	\$ 513,917

See accompanying notes to unaudited consolidated financial statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

The interim consolidated financial statements of Wintrust Financial Corporation and its subsidiaries (collectively, “Wintrust” or the “Company”) presented herein are unaudited, but in the opinion of management, reflect all necessary adjustments of a normal or recurring nature for a fair presentation of results as of the dates and for the periods covered by the interim consolidated financial statements.

The accompanying interim consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with U.S. generally accepted accounting principles (“GAAP”). The interim unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023 (“2023 Form 10-K”). Operating results reported for the period are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable; however, changes in estimates may be required if economic or other conditions develop differently from management’s expectations. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for credit losses, including the allowance for loan losses, the allowance for unfunded commitment losses and the allowance for held-to-maturity securities losses, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available. Descriptions of the Company’s significant accounting policies are included in Note (1) “Summary of Significant Accounting Policies” of the 2023 Form 10-K. In preparation of these financial statements, subsequent events were evaluated through the time the financial statements were issued. Financial statements are considered issued when they are widely distributed to all shareholders and other financial statement users or filed with the SEC.

(2) Recent Accounting Developments

Equity Method and Joint Ventures - Investments in Tax Credit Structures

In March 2023, the FASB issued ASU No. 2023-02, “Investments-Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method,” which allows reporting entities the option to apply the proportional amortization method to other tax credit programs besides the Low-Income Housing Tax Credit structures. The guidance requires application of the proportional amortization method on a tax-credit-program-by-tax-credit-program basis rather than electing the method at the reporting level entity level. The Company adopted ASU No. 2023-02 as of January 1, 2024. Adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Segment Reporting

In November 2023, the FASB issued ASU No. 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,” to enhance public entity disclosures regarding significant segment expenses which are regularly reported to an entity’s chief operating decision-maker (“CODM”) and included in a segment’s reported profit or loss. This ASU requires disclosure of the amount and composition of “other segment items,” the title and position of the CODM, and how the CODM uses reported measures of profit or loss to assess segment performance. Further, the guidance requires certain segment disclosures previously provided only annually, on an interim basis. This guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The guidance is to be applied retrospectively. Early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance on the consolidated financial statements.

Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures,” to enhance the transparency and decision usefulness of income tax disclosures. This ASU requires annually that all entities disclose increasingly disaggregated information on amount of income taxes paid. Further, this ASU requires annually that all public entities must disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a specific quantitative threshold. This guidance is effective for fiscal years beginning after December 15, 2024, and is to be applied either on a prospective basis or retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

Compensation – Scope Application of Profits Interest and Similar Awards

In March 2024, the FASB issued ASU No. 2024-01, “Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards” which clarifies the guidance by providing an illustrative example to demonstrate how an entity should apply the scope guidance in Topic 718 when determining whether profits interest and similar awards should be accounted for in accordance with Topic 718. For public business entities, this guidance is effective for fiscal years beginning after December 15, 2024, including interim periods therein, and is to be applied either on a prospective basis or retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new guidance on the consolidated financial statements.

(3) Business Combinations

On April 3, 2023, the Company completed its acquisition of Rothschild & Co Asset Management US Inc. and Rothschild & Co Risk Based Investments LLC from Rothschild & Co North America Inc. As of the acquisition date, the Company acquired approximately \$12.6 million in net assets. As the transaction was determined to be a business combination, the Company recorded goodwill of approximately \$2.6 million on the purchase.

(4) Cash and Cash Equivalents

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

(5) Investment Securities

The following tables are a summary of the investment securities portfolios as of the dates shown:

(In thousands)	June 30, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities				
U.S. Treasury	\$ 102,721	\$ 5	\$ (14)	\$ 102,712
U.S. government agencies	50,000	—	(4,808)	45,192
Municipal	151,347	390	(5,129)	146,608
Corporate notes:				
Financial issuers	83,996	—	(7,011)	76,985
Other	1,000	—	(10)	990
Mortgage-backed: ⁽¹⁾				
Residential mortgage-backed securities	4,320,215	361	(541,742)	3,778,834
Commercial (multi-family) mortgage-backed securities	18,096	8	(626)	17,478
Collateralized mortgage obligations	179,315	629	(18,786)	161,158
Total available-for-sale securities	\$ 4,906,690	\$ 1,393	\$ (578,126)	\$ 4,329,957
Held-to-maturity securities				
U.S. government agencies	\$ 336,458	\$ —	\$ (70,928)	\$ 265,530
Municipal	166,400	155	(6,789)	159,766
Mortgage-backed: ⁽¹⁾				
Residential mortgage-backed securities	2,962,721	—	(591,601)	2,371,120
Commercial (multi-family) mortgage-backed securities	6,390	—	(300)	6,090
Collateralized mortgage obligations	227,247	362	(23,636)	203,973
Corporate notes	57,199	—	(3,211)	53,988
Total held-to-maturity securities	\$ 3,756,415	\$ 517	\$ (696,465)	\$ 3,060,467
Less: Allowance for credit losses	(491)			
Held-to-maturity securities, net of allowance for credit losses	\$ 3,755,924			
Equity securities with readily determinable fair value	\$ 117,674	\$ 2,882	\$ (8,383)	\$ 112,173

(1) None of our mortgage-backed securities are subprime.

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In thousands)</i>				
Available-for-sale securities				
U.S. Treasury	\$ 6,960	\$ 8	\$ —	\$ 6,968
U.S. government agencies	50,000	—	(4,876)	45,124
Municipal	144,299	657	(3,998)	140,958
Corporate notes:				
Financial issuers	83,996	—	(8,456)	75,540
Other	1,000	—	(9)	991
Mortgage-backed: ⁽¹⁾				
Residential Mortgage-backed securities	3,505,012	1,392	(446,784)	3,059,620
Commercial (multi-family) mortgage-backed securities	13,201	68	(289)	12,980
Collateralized mortgage obligations	175,346	1,400	(16,012)	160,734
Total available-for-sale securities	<u>\$ 3,979,814</u>	<u>\$ 3,525</u>	<u>\$ (480,424)</u>	<u>\$ 3,502,915</u>
Held-to-maturity securities				
U.S. government agencies	\$ 336,468	\$ —	\$ (67,058)	\$ 269,410
Municipal	172,933	565	(3,778)	169,720
Mortgage-backed: ⁽¹⁾				
Residential Mortgage-backed securities	3,042,828	1,922	(549,265)	2,495,485
Commercial (multi-family) mortgage-backed securities	6,415	—	(184)	6,231
Collateralized mortgage obligations	241,075	978	(21,502)	220,551
Corporate notes	57,544	7	(3,480)	54,071
Total held-to-maturity securities	<u>\$ 3,857,263</u>	<u>\$ 3,472</u>	<u>\$ (645,267)</u>	<u>\$ 3,215,468</u>
Less: Allowance for credit losses	<u>(347)</u>			
Held-to-maturity securities, net of allowance for credit losses	<u>\$ 3,856,916</u>			
Equity securities with readily determinable fair value	<u>\$ 143,312</u>	<u>\$ 3,500</u>	<u>\$ (7,544)</u>	<u>\$ 139,268</u>

(1) None of our mortgage-backed securities are subprime.

	June 30, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(In thousands)</i>				
Available-for-sale securities				
U.S. Treasury	\$ —	\$ —	\$ —	\$ —
U.S. government agencies	80,000	—	(5,725)	74,275
Municipal	173,540	102	(6,231)	167,411
Corporate notes:				
Financial issuers	83,995	—	(12,920)	71,075
Other	1,000	—	(15)	985
Mortgage-backed: ⁽¹⁾				
Mortgage-backed securities	3,585,943	—	(483,659)	3,102,284
Collateralized mortgage obligations	94,373	—	(17,922)	76,451
Total available-for-sale securities	<u>\$ 4,018,851</u>	<u>\$ 102</u>	<u>\$ (526,472)</u>	<u>\$ 3,492,481</u>
Held-to-maturity securities				
U.S. government agencies	\$ 339,604	\$ —	\$ (71,022)	\$ 268,582
Municipal	176,128	362	(4,502)	171,988
Mortgage-backed: ⁽¹⁾				
Mortgage-backed securities	2,832,138	—	(574,114)	2,258,024
Collateralized mortgage obligations	159,120	—	(23,014)	136,106
Corporate notes	57,889	35	(4,733)	53,191
Total held-to-maturity securities	<u>\$ 3,564,879</u>	<u>\$ 397</u>	<u>\$ (677,385)</u>	<u>\$ 2,887,891</u>
Less: Allowance for credit losses	(406)			
Held-to-maturity securities, net of allowance for credit losses	<u>\$ 3,564,473</u>			
Equity securities with readily determinable fair value	<u>\$ 120,629</u>	<u>\$ 3,711</u>	<u>\$ (8,065)</u>	<u>\$ 116,275</u>

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

Equity securities without readily determinable fair values totaled \$62.7 million as of June 30, 2024. Equity securities without readily determinable fair values are included as part of accrued interest receivable and other assets in the Company's Consolidated Statements of Condition. The Company monitors its equity investments without readily determinable fair values to identify potential transactions that may indicate an observable price change in orderly transactions for the identical or a similar investment of the same issuer, requiring adjustment to its carrying amount. During the three and six months ended June 30, 2024 and June 30, 2023, the Company recorded no upward or downward adjustments related to such observable price changes. The Company conducts a quarterly assessment of its equity securities without readily determinable fair values to determine whether impairment exists in such securities, considering, among other factors, the nature of the securities, financial condition of the issuer and expected future cash flows. During the three and six months ended June 30, 2024, the Company recorded \$3.7 million of impairment of equity securities without readily determinable fair values. During the three and six months ended June 30, 2023, the Company recorded no impairment of equity securities without readily determinable fair values.

The following table presents the portion of the Company's available-for-sale investment securities portfolios that have gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at June 30, 2024:

(In thousands)	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available-for-sale securities						
U.S. Treasury	\$ 90,735	\$ (14)	\$ —	\$ —	\$ 90,735	\$ (14)
U.S. government agencies	—	—	45,192	(4,808)	45,192	(4,808)
Municipal	42,560	(333)	78,578	(4,796)	121,138	(5,129)
Corporate notes:						
Financial issuers	—	—	76,985	(7,011)	76,985	(7,011)
Other	—	—	990	(10)	990	(10)
Mortgage-backed: ⁽¹⁾						
Residential mortgage-backed securities	1,226,130	(19,491)	2,537,424	(522,251)	3,763,554	(541,742)
Commercial (multi-family) mortgage-backed securities	14,505	(626)	—	—	14,505	(626)
Collateralized mortgage obligations	16,384	(81)	69,273	(18,705)	85,657	(18,786)
Total available-for-sale securities	\$ 1,390,314	\$ (20,545)	\$ 2,808,442	\$ (557,581)	\$ 4,198,756	\$ (578,126)

(1) None of our mortgage-backed securities are subprime.

The Company conducts a regular assessment of its investment securities to determine whether securities are experiencing credit losses. Factors for consideration include the nature of the securities, credit ratings or financial condition of the issuer, the extent of the unrealized loss, expected cash flows, market conditions and the Company's ability to hold the securities through the anticipated recovery period.

The Company does not consider available-for-sale securities with unrealized losses at June 30, 2024 to be experiencing credit losses and recognized no resulting allowance for credit losses for such individually assessed credit losses. The Company does not intend to sell these investments and it is more likely than not that the Company will not be required to sell these investments before recovery of the amortized cost bases, which may be the maturity dates of the securities. The unrealized losses within each category have occurred as a result of changes in interest rates, market spreads and market conditions subsequent to purchase. Available-for-sale securities with continuous unrealized losses existing for more than twelve months at June 30, 2024 were primarily mortgage-backed securities with unrealized losses due to increased market rates during such period.

See Note (7) "Allowance for Credit Losses" in Item 1 of this report for further discussion regarding any credit losses associated with held-to-maturity securities at June 30, 2024.

The following table provides information as to the amount of gross gains and losses, adjustments and impairment on investment securities recognized in earnings and proceeds received through the sale or call of investment securities:

(In thousands)	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Realized gains on investment securities	\$ 1,325	\$ 6	\$ 2,360	\$ 611
Realized losses on investment securities	(21)	(6)	(129)	(51)
Net realized gains on investment securities	1,304	0	2,231	560
Unrealized gains on equity securities with readily determinable fair value	74	684	1,108	2,974
Unrealized losses on equity securities with readily determinable fair value	(1,931)	(684)	(2,564)	(2,136)
Net unrealized (losses) gains on equity securities with readily determinable fair value	(1,857)	0	(1,456)	838
Impairment of equity securities without readily determinable fair values	(3,729)	—	(3,731)	—
(Losses) gains on investment securities, net	\$ (4,282)	\$ 0	\$ (2,956)	\$ 1,398

The amortized cost and fair value of available-for-sale and held-to-maturity investment securities as of June 30, 2024, December 31, 2023 and June 30, 2023, 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:

(In thousands)	June 30, 2024		December 31, 2023		June 30, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available-for-sale securities						
Due in one year or less	\$ 145,856	\$ 145,599	\$ 53,162	\$ 52,945	\$ 93,724	\$ 93,137
Due in one to five years	139,409	131,506	132,348	123,985	138,704	126,776
Due in five to ten years	84,756	79,216	82,040	76,869	41,655	36,315
Due after ten years	19,043	16,166	18,705	15,782	64,452	57,518
Mortgage-backed	4,517,626	3,957,470	3,693,559	3,233,334	3,680,316	3,178,735
Total available-for-sale securities	\$ 4,906,690	\$ 4,329,957	\$ 3,979,814	\$ 3,502,915	\$ 4,018,851	\$ 3,492,481
Held-to-maturity securities						
Due in one year or less	\$ 8,356	\$ 8,213	\$ 5,169	\$ 5,142	\$ 2,479	\$ 2,475
Due in one to five years	114,457	109,845	109,602	105,835	102,182	96,806
Due in five to ten years	85,507	82,499	99,700	98,718	106,708	105,054
Due after ten years	351,737	278,727	352,474	283,506	362,252	289,426
Mortgage-backed	3,196,358	2,581,183	3,290,318	2,722,267	2,991,258	2,394,130
Total held-to-maturity securities	\$ 3,756,415	\$ 3,060,467	\$ 3,857,263	\$ 3,215,468	\$ 3,564,879	\$ 2,887,891
Less: Allowance for credit losses	(491)		(347)		(406)	
Held-to-maturity securities, net of allowance for credit losses	\$ 3,755,924		\$ 3,856,916		\$ 3,564,473	

Securities having a carrying value of \$7.6 billion at June 30, 2024 as well as securities having a carrying value of \$6.9 billion and \$6.4 billion at December 31, 2023 and June 30, 2023, respectively, were pledged as collateral for public deposits, trust deposits, Federal Home Loan Bank (“FHLB”) advances and available lines of credit, securities sold under repurchase agreements and derivatives. At June 30, 2024, there were no securities of a single issuer, other than U.S. government-sponsored agency securities, which exceeded 10% of shareholders’ equity.

(6) Loans

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

(Dollars in thousands)	June 30, 2024	December 31, 2023	June 30, 2023
Balance:			
Commercial	\$ 14,154,462	\$ 12,832,053	\$ 12,600,471
Commercial real estate	11,947,197	11,344,164	10,608,811
Home equity	356,313	343,976	336,974
Residential real estate	3,067,335	2,769,666	2,643,240
Premium finance receivables—property & casualty	7,100,753	6,903,529	6,762,698
Premium finance receivables—life insurance	7,962,115	7,877,943	8,039,273
Consumer and other	87,356	60,500	31,941
Total loans, net of unearned income	<u>\$ 44,675,531</u>	<u>\$ 42,131,831</u>	<u>\$ 41,023,408</u>
Mix:			
Commercial	31 %	30 %	31 %
Commercial real estate	27	27	26
Home equity	1	1	1
Residential real estate	7	7	6
Premium finance receivables—property & casualty	16	16	16
Premium finance receivables—life insurance	18	19	20
Consumer and other	0	0	0
Total loans, net of unearned income	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The Company's loan portfolio is generally comprised of loans to consumers and small to medium-sized businesses, which, for the commercial and commercial real estate portfolios, are located primarily within the geographic market areas that the banks serve. Various niche lending businesses, including franchise lending and insurance agency lending, operate on a national level. 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 \$248.3 million at June 30, 2024, \$285.4 million at December 31, 2023 and \$281.7 million at June 30, 2023.

Total loans, excluding purchased credit deteriorated ("PCD") loans, include net deferred loan fees and costs and fair value purchase accounting adjustments totaling \$89.6 million at June 30, 2024, \$84.2 million at December 31, 2023 and \$72.8 million at June 30, 2023.

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

(7) Allowance for Credit Losses

In accordance with ASC 326, the Company is required to measure the allowance for credit losses of financial assets with similar risk characteristics on a collective or pooled basis. In considering the segmentation of financial assets measured at amortized cost into pools, the Company considered various risk characteristics in its analysis. Generally, the segmentation utilized represents the level at which the Company develops and documents its systematic methodology to determine the allowance for credit losses for the financial assets held at amortized cost, specifically the Company's loan portfolio and debt securities classified as held-to-maturity. Descriptions of the Company's loan portfolio segments and major debt security types are included in Note (5) "Allowance for Credit Losses" of the 2023 Form 10-K.

In accordance with ASC 326, the Company elected to not measure an allowance for credit losses on accrued interest. As such accrued interest is written off in a timely manner when deemed uncollectible. Any such write-off of accrued interest will reverse previously recognized interest income. In addition, the Company elected to not include accrued interest within presentation and disclosures of the carrying amount of financial assets held at amortized cost. This election is applicable to the various disclosures included within the Company's financial statements. Accrued interest related to financial assets held at amortized cost is included within accrued interest receivable and other assets within the Company's Consolidated Statements of Condition and totaled \$297.2 million at June 30, 2024, \$304.5 million at December 31, 2023, and \$267.3 million at June 30, 2023.

The tables below show the aging of the Company's loan portfolio by the segmentation noted above at June 30, 2024, December 31, 2023 and June 30, 2023:

As of June 30, 2024

(In thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances (includes PCD):						
Commercial						
Commercial, industrial and other	\$ 51,087	\$ 304	\$ 16,485	\$ 36,358	\$ 14,050,228	\$ 14,154,462
Commercial real estate						
Construction and development	2,528	—	1,699	6,539	2,249,785	2,260,551
Non-construction	45,761	—	4,856	31,526	9,604,503	9,686,646
Home equity	1,100	—	275	1,229	353,709	356,313
Residential real estate, excluding early buy-out loans	18,198	—	1,977	130	2,912,852	2,933,157
Premium finance receivables						
Property and casualty insurance loans	32,722	22,427	29,925	45,927	6,969,752	7,100,753
Life insurance loans	—	—	4,118	17,693	7,940,304	7,962,115
Consumer and other	3	121	81	366	86,785	87,356
Total loans, net of unearned income, excluding early buy-out loans	\$ 151,399	\$ 22,852	\$ 59,416	\$ 139,768	\$ 44,167,918	\$ 44,541,353
Early buy-out loans guaranteed by U.S. government agencies ⁽¹⁾	—	45,788	—	—	88,390	134,178
Total loans, net of unearned income	\$ 151,399	\$ 68,640	\$ 59,416	\$ 139,768	\$ 44,256,308	\$ 44,675,531

As of December 31, 2023

(In thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances (includes PCD):						
Commercial						
Commercial, industrial and other	\$ 38,940	\$ 98	\$ 19,488	\$ 85,743	\$ 12,687,784	\$ 12,832,053
Commercial real estate						
Construction and development	2,205	—	251	1,343	2,080,242	2,084,041
Non-construction	33,254	—	8,264	19,291	9,199,314	9,260,123
Home equity	1,341	—	62	2,263	340,310	343,976
Residential real estate, excluding early buy-out loans	15,391	—	2,325	22,942	2,578,425	2,619,083
Premium finance receivables						
Property and casualty insurance loans	27,590	20,135	23,236	50,437	6,782,131	6,903,529
Life insurance loans	—	—	16,206	45,464	7,816,273	7,877,943
Consumer and other	22	54	25	165	60,234	60,500
Total loans, net of unearned income, excluding early buy-out loans	\$ 118,743	\$ 20,287	\$ 69,857	\$ 227,648	\$ 41,544,713	\$ 41,981,248
Early buy-out loans guaranteed by U.S. government agencies ⁽¹⁾	—	57,688	250	328	92,317	150,583
Total loans, net of unearned income	\$ 118,743	\$ 77,975	\$ 70,107	\$ 227,976	\$ 41,637,030	\$ 42,131,831

(1) Early buy-out loans are insured or guaranteed by the FHA or the U.S. Department of Veterans Affairs, subject to indemnifications and insurance limits for certain loans.

As of June 30, 2023

(In thousands)	Nonaccrual	90+ days and still accruing	60-89 days past due	30-59 days past due	Current	Total Loans
Loan Balances (includes PCD):						
Commercial						
Commercial, industrial and other	\$ 40,460	\$ 573	\$ 22,808	\$ 48,970	\$ 12,487,660	\$ 12,600,471
Commercial real estate						
Construction and development	12,536	—	—	766	1,747,134	1,760,436
Non-construction	5,947	—	1,054	13,452	8,827,922	8,848,375
Home equity	1,361	110	316	601	334,586	336,974
Residential real estate, excluding early buy-out loans	13,652	—	7,243	872	2,433,625	2,455,392
Premium finance receivables						
Property and casualty insurance loans	19,583	12,785	22,670	32,751	6,674,909	6,762,698
Life insurance loans	6	1,667	3,729	90,117	7,943,754	8,039,273
Consumer and other	4	28	51	146	31,712	31,941
Total loans, net of unearned income, excluding early buy-out loans	\$ 93,549	\$ 15,163	\$ 57,871	\$ 187,675	\$ 40,481,302	\$ 40,835,560
Early buy-out loans guaranteed by U.S. government agencies ⁽¹⁾	117	57,728	918	—	129,085	187,848
Total loans, net of unearned income	\$ 93,666	\$ 72,891	\$ 58,789	\$ 187,675	\$ 40,610,387	\$ 41,023,408

(1) Early buy-out loans are insured or guaranteed by the FHA or the U.S. Department of Veterans Affairs, subject to indemnifications and insurance limits for certain loans.

Credit Quality Indicators

Credit quality indicators, specifically the Company's internal risk rating systems, reflect how the Company monitors credit losses and represents factors used by the Company when measuring the allowance for credit losses. Descriptions of the Company's credit quality indicators by financial asset are included in Note (5) "Allowance for Credit Losses" of the 2023 Form 10-K.

The table below shows the Company's loan portfolio by credit quality indicator and year of origination at June 30, 2024:

(In thousands)	Year of Origination						Revolving	Revolving to Term	Total Loans
	2024	2023	2022	2021	2020	Prior			
Loan Balances:									
Commercial, industrial and other									
Pass	\$ 1,759,369	\$ 2,462,832	\$ 1,847,769	\$ 1,330,074	\$ 529,579	\$ 1,099,112	\$ 4,405,035	\$ 8,966	\$ 13,442,736
Special mention	1,704	62,567	69,016	64,001	6,033	51,135	129,899	1,300	385,655
Substandard accrual	2,660	41,267	42,882	40,319	20,026	8,703	119,110	17	274,984
Substandard nonaccrual/doubtful	—	5,950	5,718	21,951	1,237	8,175	7,976	80	51,087
Total commercial, industrial and other	\$ 1,763,733	\$ 2,572,616	\$ 1,965,385	\$ 1,456,345	\$ 556,875	\$ 1,167,125	\$ 4,662,020	\$ 10,363	\$ 14,154,462
Construction and development									
Pass	\$ 78,100	\$ 475,118	\$ 973,989	\$ 371,090	\$ 79,439	\$ 159,686	\$ 22,350	\$ —	\$ 2,159,772
Special mention	—	1,176	14,990	17,091	—	14,969	—	—	48,226
Substandard accrual	—	—	—	1,102	1,777	47,146	—	—	50,025
Substandard nonaccrual/doubtful	—	495	—	—	2,033	—	—	—	2,528
Total construction and development	\$ 78,100	\$ 476,789	\$ 988,979	\$ 389,283	\$ 83,249	\$ 221,801	\$ 22,350	\$ —	\$ 2,260,551
Non-construction									
Pass	\$ 710,843	\$ 1,515,024	\$ 1,757,491	\$ 1,360,084	\$ 961,509	\$ 2,884,404	\$ 198,713	\$ 265	\$ 9,388,333
Special mention	3,364	8,422	37,904	46,765	17,230	46,738	274	—	160,697
Substandard accrual	—	3,202	13,696	9,545	22,983	42,429	—	—	91,855
Substandard nonaccrual/doubtful	—	1,372	453	170	—	43,766	—	—	45,761
Total non-construction	\$ 714,207	\$ 1,528,020	\$ 1,809,544	\$ 1,416,564	\$ 1,001,722	\$ 3,017,337	\$ 198,987	\$ 265	\$ 9,686,646
Home equity									
Pass	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 9,272	\$ 326,705	\$ 2,737	\$ 338,714
Special mention	—	—	222	59	120	2,417	6,313	287	9,418
Substandard accrual	—	—	104	—	102	6,242	558	75	7,081
Substandard nonaccrual/doubtful	—	—	511	137	—	363	—	89	1,100
Total home equity	\$ —	\$ —	\$ 837	\$ 196	\$ 222	\$ 18,294	\$ 333,576	\$ 3,188	\$ 356,313
Residential real estate									
Early buy-out loans guaranteed by U.S. government agencies	\$ —	\$ 3,762	\$ 3,381	\$ 3,813	\$ 5,700	\$ 117,522	\$ —	\$ —	\$ 134,178
Pass	380,670	480,911	808,108	754,489	204,797	257,334	—	—	2,886,309

Special mention	—	2,985	5,655	2,284	1,604	6,547	—	—	19,075
Substandard accrual	224	596	3,353	915	1,143	3,344	—	—	9,575
Substandard nonaccrual/doubtful	—	523	5,109	4,642	1,229	6,695	—	—	18,198
Total residential real estate	\$ 380,894	\$ 488,777	\$ 825,606	\$ 766,143	\$ 214,473	\$ 391,442	\$ —	\$ —	\$ 3,067,335
Premium finance receivables - property and casualty									
Pass	\$ 5,737,826	\$ 1,204,432	\$ —	\$ 8,281	\$ 421	\$ —	\$ —	\$ —	\$ 6,950,960
Special mention	92,231	19,192	95	8	—	—	—	—	111,526
Substandard accrual	1,488	4,052	1	4	—	—	—	—	5,545
Substandard nonaccrual/doubtful	7,238	25,281	182	19	2	—	—	—	32,722
Total premium finance receivables - property and casualty	\$ 5,838,783	\$ 1,252,957	\$ 278	\$ 8,312	\$ 423	\$ —	\$ —	\$ —	\$ 7,100,753
Premium finance receivables - life									
Pass	\$ 1,137,551	\$ 6,820,635	\$ 3,929	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,962,115
Special mention	—	—	—	—	—	—	—	—	—
Substandard accrual	—	—	—	—	—	—	—	—	—
Substandard nonaccrual/doubtful	—	—	—	—	—	—	—	—	—
Total premium finance receivables - life	\$ 1,137,551	\$ 6,820,635	\$ 3,929	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 7,962,115
Consumer and other									
Pass	\$ 1,562	\$ 2,602	\$ 749	\$ 667	\$ 46	\$ 32,764	\$ 48,721	\$ —	\$ 87,111
Special mention	6	14	11	5	—	140	2	—	178
Substandard accrual	5	14	9	—	—	27	9	—	64
Substandard nonaccrual/doubtful	—	—	1	2	—	—	—	—	3
Total consumer and other	\$ 1,573	\$ 2,630	\$ 770	\$ 674	\$ 46	\$ 32,931	\$ 48,732	\$ —	\$ 87,356
Total loans									
Early buy-out loans guaranteed by U.S. government agencies	\$ —	\$ 3,762	\$ 3,381	\$ 3,813	\$ 5,700	\$ 117,522	\$ —	\$ —	\$ 134,178
Pass	9,805,921	12,961,554	5,392,035	3,824,685	1,775,791	4,442,572	5,001,524	11,968	43,216,050
Special mention	97,305	94,356	127,893	130,213	24,987	121,946	136,488	1,587	734,775
Substandard accrual	4,377	49,131	60,045	51,885	46,031	107,891	119,677	92	439,129
Substandard nonaccrual/doubtful	7,238	33,621	11,974	26,921	4,501	58,999	7,976	169	151,399
Total loans	\$ 9,914,841	\$ 13,142,424	\$ 5,595,328	\$ 4,037,517	\$ 1,857,010	\$ 4,848,930	\$ 5,265,665	\$ 13,816	\$ 44,675,531
Gross write offs									
Six months ended June 30, 2024	244	29,608	3,464	1,220	2,088	21,973	—	—	58,597

Held-to-maturity debt securities

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

As of June 30, 2024

(In thousands)	2024	2023	2022	2021	2020	Prior	Balance
Amortized Cost Balances:							
U.S. government agencies							
1-4 internal grade	\$ —	\$ —	\$ 156,875	\$ 147,815	\$ 25,000	\$ 6,768	\$ 336,458
5-7 internal grade							—
8-10 internal grade							—
Total U.S. government agencies	\$ —	\$ —	\$ 156,875	\$ 147,815	\$ 25,000	\$ 6,768	\$ 336,458
Municipal							
1-4 internal grade	\$ —	\$ 4,176	\$ 1,035	\$ 6,862	\$ 258	\$ 151,716	\$ 164,047
5-7 internal grade	—	—	—	—	—	2,353	2,353
8-10 internal grade							—
Total municipal	\$ —	\$ 4,176	\$ 1,035	\$ 6,862	\$ 258	\$ 154,069	\$ 166,400
Mortgage-backed securities							
1-4 internal grade	\$ —	\$ 362,988	\$ 555,653	\$ 2,277,717	\$ —	\$ —	\$ 3,196,358
5-7 internal grade							—
8-10 internal grade							—
Total mortgage-backed securities	\$ —	\$ 362,988	\$ 555,653	\$ 2,277,717	\$ —	\$ —	\$ 3,196,358
Corporate notes							
1-4 internal grade	\$ —	\$ —	\$ 14,968	\$ —	\$ 6,005	\$ 36,226	\$ 57,199
5-7 internal grade							—
8-10 internal grade							—
Total corporate notes	\$ —	\$ —	\$ 14,968	\$ —	\$ 6,005	\$ 36,226	\$ 57,199
Total held-to-maturity securities							\$ 3,756,415
Less: Allowance for credit losses							(491)
Held-to-maturity securities, net of allowance for credit losses							\$ 3,755,924

Measurement of Allowance for Credit Losses

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

(In thousands)	June 30, 2024	December 31, 2023	June 30, 2023
Allowance for loan losses	\$ 363,719	\$ 344,235	\$ 302,499
Allowance for unfunded lending-related commitments losses	73,350	83,030	84,881
Allowance for loan losses and unfunded lending-related commitments losses	437,069	427,265	387,380
Allowance for held-to-maturity securities losses	491	347	406
Allowance for credit losses	\$ 437,560	\$ 427,612	\$ 387,786

The allowance for credit losses is measured on a collective or pooled basis when similar risk characteristics exist, based upon the segmentation discussed above. The Company utilizes modeling methodologies that estimate lifetime credit loss rates on each pool, including methodologies estimating the probability of default and loss given default on specific segments. Historical credit loss history is adjusted for reasonable and supportable forecasts developed by the Company on a quantitative or qualitative basis and incorporates third party economic forecasts. Reasonable and supportable forecasts consider the macroeconomic factors that are most relevant to evaluating and predicting expected credit losses in the Company's financial assets. Currently, the Company utilizes an eight quarter forecast period using a single macroeconomic scenario provided by a

third party and reviewed within the Company's governance structure. For periods beyond the ability to develop reasonable and supportable forecasts, the Company reverts to historical loss rates at an input level, straight-line over a four quarter reversion period. Expected credit losses are measured over the contractual term of the financial asset with consideration of expected prepayments. Expected extensions, renewals or modifications of the financial asset are considered when the expected extension, renewal or modification is contained within the existing agreement and is not unconditionally cancelable. The methodologies discussed above are applied to both current asset balances on the Company's Consolidated Statements of Condition and off-balance sheet commitments (i.e. unfunded lending-related commitments).

Assets that do not share similar risk characteristics with a pool are assessed for the allowance for credit losses on an individual basis. These typically include assets experiencing financial difficulties, including assets rated as substandard nonaccrual and doubtful. If foreclosure is probable or the asset is considered collateral-dependent, expected credit losses are measured based upon the fair value of the underlying collateral adjusted for selling costs, if appropriate. Underlying collateral across the Company's segments consist primarily of real estate, land and construction assets as well as general business assets of the borrower. As of June 30, 2024, excluding loans carried at fair value, substandard nonaccrual loans totaling \$46.6 million in carrying balance had no related allowance for credit losses.

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

Loan portfolios

A summary of activity in the allowance for credit losses, specifically for the loan portfolio (i.e. allowance for loan losses and allowance for unfunded commitment losses), for the three and six months ended June 30, 2024 and June 30, 2023 is as follows:

Three months ended June 30, 2024

(In thousands)	Commercial	Commercial Real Estate	Home Equity	Residential Real Estate	Premium Finance Receivables	Consumer and Other	Total Loans
Allowance for credit losses at beginning of period	\$ 166,518	\$ 226,052	\$ 7,191	\$ 13,701	\$ 13,330	\$ 383	\$ 427,175
Other adjustments	—	—	—	—	(19)	—	(19)
Charge-offs	(9,584)	(15,526)	—	(23)	(9,486)	(137)	(34,756)
Recoveries	950	90	35	8	3,663	24	4,770
Provision for credit losses	24,107	13,112	16	(4,913)	7,258	319	39,899
Allowance for credit losses at period end	\$ 181,991	\$ 223,728	\$ 7,242	\$ 8,773	\$ 14,746	\$ 589	\$ 437,069
By measurement method:							
Individually measured	\$ 30,927	\$ 6,330	\$ —	\$ 32	\$ —	\$ 1	\$ 37,290
Collectively measured	151,064	217,398	7,242	8,741	14,746	588	399,779
Loans at period end							
Individually measured	\$ 51,087	\$ 48,289	\$ 1,100	\$ 17,807	\$ —	\$ 3	\$ 118,286
Collectively measured	14,103,375	11,898,908	355,213	2,913,694	15,062,868	87,353	44,421,411
Loans held at fair value	—	—	—	135,834	—	—	135,834

Three months ended June 30, 2023

(In thousands)	Commercial	Commercial Real Estate	Home Equity	Residential Real Estate	Premium Finance Receivables	Consumer and Other	Total Loans
Allowance for credit losses at beginning of period	\$ 149,501	\$ 194,780	\$ 7,728	\$ 11,434	\$ 11,955	\$ 400	\$ 375,798
Other adjustments	—	—	—	—	41	—	41
Charge-offs	(5,629)	(8,124)	—	—	(4,653)	(110)	(18,516)
Recoveries	505	25	37	6	890	23	1,486
Provision for credit losses	(1,235)	29,015	(798)	812	813	(36)	28,571
Allowance for credit losses at period end	\$ 143,142	\$ 215,696	\$ 6,967	\$ 12,252	\$ 9,046	\$ 277	\$ 387,380
By measurement method:							
Individually measured	\$ 7,205	\$ 5,819	\$ —	\$ 106	\$ —	\$ —	\$ 13,130
Collectively measured	135,937	209,877	6,967	12,146	9,046	277	374,250
Loans at period end							
Individually measured	\$ 40,460	\$ 18,483	\$ 1,361	\$ 13,496	\$ —	\$ 4	\$ 73,804
Collectively measured	12,560,011	10,590,328	335,613	2,429,297	14,801,971	31,937	40,749,157
Loans held at fair value	—	—	—	200,447	—	—	200,447

Six months ended June 30, 2024

(In thousands)	Commercial	Commercial Real Estate	Home Equity	Residential Real Estate	Premium Finance Receivables	Consumer and Other	Total Loans
Allowance for credit losses at beginning of period	\$ 169,604	\$ 223,853	\$ 7,116	\$ 13,133	\$ 13,069	\$ 490	\$ 427,265
Other adjustments	—	—	—	—	(50)	—	(50)
Charge-offs	(20,799)	(20,995)	(74)	(61)	(16,424)	(244)	(58,597)
Recoveries	1,429	121	64	10	5,190	47	6,861
Provision for credit losses	31,757	20,749	136	(4,309)	12,961	296	61,590
Allowance for credit losses at period end	<u>\$ 181,991</u>	<u>\$ 223,728</u>	<u>\$ 7,242</u>	<u>\$ 8,773</u>	<u>\$ 14,746</u>	<u>\$ 589</u>	<u>\$ 437,069</u>

Six months ended June 30, 2023

(In thousands)	Commercial	Commercial Real Estate	Home Equity	Residential Real Estate	Premium Finance Receivables	Consumer and Other	Total Loans
Allowance for credit losses at beginning of period	\$ 142,769	\$ 184,352	\$ 7,573	\$ 11,585	\$ 10,671	\$ 498	\$ 357,448
Cumulative effect adjustment from the adoption of ASU 2016-13	111	1,356	(33)	(692)	—	(1)	741
Other adjustments	—	—	—	—	45	—	45
Charge-offs	(8,172)	(8,129)	—	—	(9,303)	(263)	(25,867)
Recoveries	897	125	72	10	2,213	55	3,372
Provision for credit losses	7,537	37,992	(645)	1,349	5,420	(12)	51,641
Allowance for credit losses at period end	<u>\$ 143,142</u>	<u>\$ 215,696</u>	<u>\$ 6,967</u>	<u>\$ 12,252</u>	<u>\$ 9,046</u>	<u>\$ 277</u>	<u>\$ 387,380</u>

For the three and six months ended June 30, 2024, the Company recognized approximately \$39.9 million and \$61.6 million of provision for credit losses, respectively, related to loans and lending agreements. The provision for each period was primarily the result of loan growth across a majority of segments coupled with losses experienced in the Commercial, Commercial Real Estate and Premium Finance Receivables portfolios. Uncertainties remain regarding expected economic performance and macroeconomic forecasts utilized in the measurement of the allowance for credit losses as of June 30, 2024. Net charge-offs in the three and six month periods ending June 30, 2024, totaled \$30.0 million and \$51.7 million, respectively.

Held-to-maturity debt securities

The allowance for credit losses on the Company's held-to-maturity debt securities is presented as a reduction to the amortized cost basis of held-to-maturity securities on the Company's Consolidated Statements of Condition. For the three and six month period ended June 30, 2024, the Company recognized approximately \$162,000 and \$144,000, respectively, of provision for credit losses related to held-to-maturity securities. At June 30, 2024, the Company did not identify any held-to-maturity debt securities within its portfolio that would require a charge-off.

Loan Modifications to Borrowers Experiencing Financial Difficulties

The Company's approach to restructuring or modifying 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. 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.

Restructurings may arise when, 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 other real estate owned ("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 June 30, 2024, the Company had \$161,000 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 \$43.8 million and \$50.4 million at June 30, 2024 and 2023, respectively.

The tables below presents a summary of the period-end balance of loans to borrowers experiencing financial difficulties during the three and six months ended June 30, 2024 and 2023:

Three Months Ended June 30, 2024 (Dollars in thousands)	Total	Percentage of Total Class of Loan	Extension of Term	Reduction of Interest Rate	Interest Only Payments	Delay in Contractual Payments	Extension of Term and Reduction of Interest Rate
Commercial							
Commercial, industrial and other	\$ 2,161	0.0 %	\$ 2,010	\$ —	\$ —	\$ 97	\$ 54
Commercial real estate							
Non-construction	340	0.0	21	—	319	—	—
Home equity	—	—	—	—	—	—	—
Residential real estate	81	0.0	81	—	—	—	—
Premium finance receivables							
Property and casualty insurance loans	6	0.0	3	3	—	—	—
Total loans	<u>\$ 2,588</u>	<u>0.0 %</u>	<u>\$ 2,115</u>	<u>\$ 3</u>	<u>\$ 319</u>	<u>\$ 97</u>	<u>\$ 54</u>

Three Months Ended June 30, 2024 (Dollars in thousands)	Total	Weighted Average Magnitude of Modifications:		
		Duration of Extension of Term (months)	Reduction of Interest Rate (bps)	Duration of Delay in Contractual Payments (months)
Commercial				
Commercial, industrial and other	\$ 2,161	5	143	34
Commercial real estate				
Non-construction	340	13	—	—
Home equity	—	—	—	—
Residential real estate	81	12	—	—
Premium finance receivables				
Property and casualty insurance loans	6	2	86	—
Total loans	<u>\$ 2,588</u>	<u>7</u>	<u>140</u>	<u>34</u>

Three Months Ended June 30, 2023 (Dollars in thousands)	Total	Percentage of Total Class of Loan	Extension of Term	Reduction of Interest Rate	Delay in Contractual Payments	Extension of Term and Reduction of Interest Rate
Commercial						
Commercial, industrial and other	\$ 423	0.0 %	\$ —	\$ —	\$ —	\$ 423
Commercial real estate						
Non-construction	4,376	0.0	—	—	—	4,376
Home equity	—	—	—	—	—	—
Residential real estate	264	0.0	143	—	—	121
Premium finance receivables						
Property and casualty insurance loans	—	—	—	—	—	—
Total loans	<u>\$ 5,063</u>	<u>0.0 %</u>	<u>\$ 143</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,920</u>

Three Months Ended June 30, 2023 (Dollars in thousands)	Total	Weighted Average Magnitude of Modifications:		
		Duration of Extension of Term (months)	Reduction of Interest Rate (bps)	Duration of Delay in Contractual Payments (months)
Commercial				
Commercial, industrial and other	\$ 423	41	144	—
Commercial real estate				
Non-construction	4,376	39	212	—
Home equity	—	—	—	—
Residential real estate	264	123	262	—
Premium finance receivables				
Property and casualty insurance loans	—	—	—	—
Total loans	\$ 5,063	43	207	—

Six Months Ended June 30, 2024 (Dollars in thousands)	Total ⁽¹⁾	Percentage of Total Class of Loan	Extension of Term ⁽¹⁾	Reduction of Interest Rate ⁽¹⁾	Interest Only Payments	Delay in Contractual Payments ⁽¹⁾	Extension of Term and Reduction of Interest Rate ⁽¹⁾
Commercial							
Commercial, industrial and other	\$ 3,219	0.0 %	\$ 2,956	\$ —	\$ —	\$ 97	\$ 166
Commercial real estate							
Non-construction	1,469	0.0	293	—	319	857	—
Home equity	89	0.0	89	—	—	—	—
Residential real estate	282	0.0	114	168	—	—	—
Premium finance receivables							
Property and casualty insurance loans	6	0.0	3	3	—	—	—
Total loans	\$ 5,065	0.0 %	\$ 3,455	\$ 171	\$ 319	\$ 954	\$ 166

Six Months Ended June 30, 2024 (Dollars in thousands)	Total	Weighted Average Magnitude of Modifications:		
		Duration of Extension of Term (months)	Reduction of Interest Rate (bps)	Duration of Delay in Contractual Payments (months)
Commercial				
Commercial, industrial and other	\$ 3,219	8	113	34
Commercial real estate				
Non-construction	1,469	29	—	16
Home equity	89	12	—	—
Residential real estate	282	19	201	—
Premium finance receivables				
Property and casualty insurance loans	6	2	86	—
Total loans	\$ 5,065	11	156	18

Six Months Ended June 30, 2023 (Dollars in thousands)	Total	Percentage of Total Class of Loan	Extension of Term	Reduction of Interest Rate	Delay in Contractual Payments	Extension of Term and Reduction of Interest Rate
Commercial						
Commercial, industrial and other	\$ 37,897	0.3 %	\$ 1,938	\$ 221	\$ 35,265	\$ 473
Commercial real estate						
Non-construction	5,709	0.1	467	827	39	4,376
Home equity	203	0.1	203	—	—	—
Residential real estate	1,972	0.1	1,396	271	—	305
Premium finance receivables						
Property and casualty insurance loans	11	0.0	3	—	—	8
Total loans	<u>\$ 45,792</u>	<u>0.1 %</u>	<u>\$ 4,007</u>	<u>\$ 1,319</u>	<u>\$ 35,304</u>	<u>\$ 5,162</u>

Six Months Ended June 30, 2023 (Dollars in thousands)	Weighted Average Magnitude of Modifications:			
	Total	Duration of Extension of Term (months)	Reduction of Interest Rate (bps)	Duration of Delay in Contractual Payments (months)
Commercial				
Commercial, industrial and other	\$ 37,897	15	108	16
Commercial real estate				
Non-construction	5,709	40	232	101
Home equity	203	12	—	—
Residential real estate	1,972	57	284	—
Premium finance receivables				
Property and casualty insurance loans	11	0	50	—
Total loans	<u>\$ 45,792</u>	<u>36</u>	<u>223</u>	<u>17</u>

The Company had commitments of \$5.1 million and \$43.5 million as of June 30, 2024 and June 30, 2023, respectively, to lend additional funds to borrowers experiencing financial difficulty and for whom the Company has modified the terms of loans in the form of principal forgiveness, an interest rate reduction, an other-than insignificant payment delay or a term extension during the periods presented.

The following table presents a summary of all modified loans for borrowers experiencing financial difficulties and such loans that were in payment default under the restructured terms during the respective periods below:

(Dollars in thousands)	For the Twelve Months Ended June 30, 2024	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024	For the Six Months Ended June 30, 2023	Three Months Ended June 30, 2023	Six Months Ended June 30, 2023
	Total	Payments in Default ⁽¹⁾	Payments in Default ⁽¹⁾	Total	Payments in Default ⁽¹⁾	Payments in Default ⁽¹⁾
Commercial						
Commercial, industrial and other	\$ 4,685	\$ 1,784	\$ 1,784	\$ 37,897	\$ 18,729	\$ 18,729
Commercial real estate						
Construction and development	2,486	—	—	—	—	—
Non-construction	2,644	639	2,443	5,709	923	923
Home equity	586	—	—	203	203	203
Residential real estate	417	384	384	1,972	541	541
Premium finance receivables						
Property and casualty insurance loans	18	14	14	11	11	11
Total loans	<u>\$ 10,836</u>	<u>\$ 2,821</u>	<u>\$ 4,625</u>	<u>\$ 45,792</u>	<u>\$ 20,407</u>	<u>\$ 20,407</u>

(1) Modified loans considered to be in payment default are over 30 days past due subsequent to the restructuring.

(8) Goodwill and Other Acquisition-Related Intangible Assets

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

(In thousands)	December 31, 2023	Goodwill Acquired	Impairment Loss	Goodwill Adjustments	June 30, 2024
Community banking	\$ 545,671	\$ —	\$ —	\$ —	\$ 545,671
Specialty finance	39,006	—	—	(717)	38,289
Wealth management	71,995	—	—	—	71,995
Total	<u>\$ 656,672</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (717)</u>	<u>\$ 655,955</u>

The specialty finance unit's goodwill decreased \$717,000 in the first six months of 2024 as a result of foreign currency translation adjustments related to the Canadian acquisitions.

The Company assesses each reporting unit's goodwill for impairment on at least an annual basis and considers potential indicators of impairment at each reporting date between annual goodwill impairment tests. At October 1, 2023, the Company utilized a qualitative approach for its annual goodwill impairment tests of the community banking, specialty finance and wealth management reporting units and determined that it was more likely than not that the fair value of all reporting units exceeded the respective carrying value of such reporting unit at that time.

At each reporting date between annual goodwill impairment tests, the Company considers potential indicators of impairment. The Company assessed whether events and circumstances resulted in it being more likely than not that the fair value of any reporting unit was less than its carrying value. Potential impairment indicators considered include the condition of the economy and banking industry; government intervention and regulatory updates; the impact of recent events to financial performance and cost factors of the reporting units; performance of the Company's stock and other relevant events.

At the conclusion of this assessment of all reporting units, the Company determined that as of June 30, 2024, it was more likely than not that the fair value of all reporting units exceeded the respective carrying value of such reporting unit.

A summary of acquisition-related intangible assets as of the dates shown and the expected amortization of finite-lived acquisition-related intangible assets as of June 30, 2024 is as follows:

(In thousands)	June 30, 2024	December 31, 2023	June 30, 2023
Community banking segment:			
Core deposit intangibles with finite lives:			
Gross carrying amount	\$ 55,206	\$ 55,206	\$ 55,206
Accumulated amortization	(47,666)	(46,125)	(44,432)
Net carrying amount	\$ 7,540	\$ 9,081	\$ 10,774
Trademark with indefinite lives:			
Carrying amount	5,800	5,800	5,800
Total net carrying amount	\$ 13,340	\$ 14,881	\$ 16,574
Specialty finance segment:			
Customer list intangibles with finite lives:			
Gross carrying amount	\$ 1,961	\$ 1,963	\$ 1,963
Accumulated amortization	(1,861)	(1,837)	(1,813)
Net carrying amount	\$ 100	\$ 126	\$ 150
Wealth management segment:			
Customer list and other intangibles with finite lives:			
Gross carrying amount	\$ 26,630	\$ 26,630	\$ 26,630
Accumulated amortization	(19,463)	(18,748)	(17,701)
Net carrying amount	\$ 7,167	\$ 7,882	\$ 8,929
Total acquisition-related intangible assets:			
Gross carrying amount	\$ 89,597	\$ 89,599	\$ 89,599
Accumulated amortization	(68,990)	(66,710)	(63,946)
Total other acquisition-related intangible assets, net	\$ 20,607	\$ 22,889	\$ 25,653
Estimated amortization			
Actual in six months ended June 30, 2024			\$ 2,280
Estimated remaining in 2024			2,021
Estimated—2025			3,482
Estimated—2026			2,772
Estimated—2027			2,156
Estimated—2028			1,591

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. The customer list and other 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 or accelerated basis. Indefinite-lived intangible assets consist of certain trade and domain names recognized in connection with the acquisition of certain assets of Veterans First Mortgage in 2018. As indefinite-lived intangible assets are not amortized, the Company assesses impairment on at least an annual basis.

Total amortization expense associated with finite-lived acquisition-related intangibles totaled approximately \$2.3 million and \$2.7 million for the six months ended June 30, 2024 and 2023, respectively.

(9) Mortgage Servicing Rights (“MSRs”)

The following is a summary of the changes in the carrying value of MSRs, accounted for at fair value, for the periods indicated:

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(In thousands)				
Fair value at beginning of the period	\$ 201,044	\$ 224,470	\$ 192,456	\$ 230,225
Additions from loans sold with servicing retained	8,223	8,720	13,602	13,827
Servicing rights sold	—	(30,170)	—	(30,170)
Estimate of changes in fair value due to:				
Payoffs, paydowns and repurchases	(5,534)	(5,043)	(9,920)	(8,952)
Changes in valuation inputs or assumptions	877	2,715	8,472	(4,238)
Fair value at end of the period	\$ 204,610	\$ 200,692	\$ 204,610	\$ 200,692
Unpaid principal balance of mortgage loans serviced for others	\$ 12,211,027	\$ 11,752,223		

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. MSRs are included in other assets in the Consolidated Statements of Condition. The initial recognition of MSR assets from loans sold with servicing retained and subsequent changes in fair value of all MSRs are recognized in mortgage banking revenue. MSRs are subject to changes in value from actual and expected prepayment of the underlying loans.

The estimation of fair value related to MSRs is partly impacted by the Company exercising its early buyout options (“EBO”) on eligible loans previously sold to the Government National Mortgage Association (“GNMA”). Under such optional repurchase program, financial institutions acting as servicers are allowed to buy back from the securitized loan pool individual delinquent mortgage loans meeting certain criteria for which the institution was the original transferor of such loans. At the option of the servicer and without prior authorization from GNMA, the servicer may repurchase such delinquent loans for an amount equal to the remaining principal balance of the loan. At the time of such repurchase, any MSR value related to such loans is derecognized.

The MSR asset fair value is determined by using a discounted cash flow model that incorporates the objective characteristics of the portfolio as well as subjective valuation parameters that purchasers of servicing would apply to such portfolios sold into the secondary market. The subjective factors include loan prepayment speeds, discount rates, servicing costs and other economic factors. The Company uses a third party to assist in the valuation of MSRs.

Periodically, the Company will purchase options for the right to purchase securities not currently held within the banks’ investment portfolios or enter into interest rate swaps in which the Company elects not to designate such derivatives as hedging instruments. These option and swap transactions are designed primarily to economically hedge a portion of the fair value adjustments related to the Company’s MSRs. The gain or loss associated with these derivative contracts is included in mortgage banking revenue. For more information regarding these hedges outstanding as of June 30, 2024 and June 30, 2023, see Note (14) “Derivative Financial Instruments” in Item 1 of this report.

(10) Deposits

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

(Dollars in thousands)	June 30, 2024	December 31, 2023	June 30, 2023
Balance:			
Non-interest-bearing	\$ 10,031,440	\$ 10,420,401	\$ 10,604,915
NOW and interest-bearing demand deposits	5,053,909	5,797,649	5,814,836
Wealth management deposits	1,490,711	1,614,499	1,417,984
Money market	16,320,017	15,149,215	14,523,124
Savings	5,882,179	5,790,334	5,321,578
Time certificates of deposit	9,270,770	6,625,072	6,356,270
Total deposits	<u>\$ 48,049,026</u>	<u>\$ 45,397,170</u>	<u>\$ 44,038,707</u>
Mix:			
Non-interest-bearing	21 %	23 %	24 %
NOW and interest-bearing demand deposits	11	13	13
Wealth management deposits	3	4	3
Money market	34	33	33
Savings	12	13	12
Time certificates of deposit	19	14	15
Total deposits	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Wealth management deposits represent deposit balances (primarily money market accounts) at the Company's subsidiary banks from brokerage customers of Wintrust Investments, LLC ("Wintrust Investments"), Chicago Deferred Exchange Company ("CDEC") and trust and asset management customers of the Company.

(11) FHLB Advances, Other Borrowings and Subordinated Notes

The following table is a summary of FHLB advances, other borrowings and subordinated notes as of the dates shown:

(In thousands)	June 30, 2024	December 31, 2023	June 30, 2023
FHLB advances	\$ 3,176,309	\$ 2,326,071	\$ 2,026,071
Other borrowings:			
Notes payable	157,024	171,282	185,539
Short-term borrowings	—	13,430	17,773
Secured borrowings	391,395	401,897	401,669
Other	58,160	59,204	60,238
Total other borrowings	<u>606,579</u>	<u>645,813</u>	<u>665,219</u>
Subordinated notes	<u>298,113</u>	<u>437,866</u>	<u>437,628</u>
Total FHLB advances, other borrowings and subordinated notes	<u>\$ 4,081,001</u>	<u>\$ 3,409,750</u>	<u>\$ 3,128,918</u>

Descriptions of the Company's FHLB advances, other borrowings, and subordinated notes are included in Note (11) "Federal Home Loan Bank Advances", Note (12) "Subordinated Notes" and Note (13) "Other Borrowings" of the 2023 Form 10-K.

Notes Payable

Notes payable balances represent the balances on the Company's credit agreement with certain unaffiliated banks. At June 30, 2024, the outstanding principal balance under the term loan facility was \$157.0 million and there was no outstanding balance under the revolving credit facility. Borrowings under notes payable 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 June 30, 2024, the Company was in compliance with all such covenants.

Short-term Borrowings

Short-term borrowings include securities sold under repurchase agreements of customer sweep accounts in connection with master repurchase agreement at the banks. There were no borrowings at June 30, 2024 compared to \$13.4 million and \$16.3 million at December 31, 2023 and June 30, 2023, respectively. As of June 30, 2024, the Company had no pledged securities related to its customer balances in sweep accounts.

Secured Borrowings

The balance of secured borrowings primarily represents a third party Canadian transaction (“Canadian Secured Borrowing”). Under the Canadian Secured Borrowing, the Company, through its subsidiary, FIFC Canada, sells an undivided co-ownership interest in all receivables owed to FIFC Canada to an unrelated third party in exchange for cash payments pursuant to a receivables purchase agreement (“Receivables Purchase Agreement”). On May 31, 2023, the Company entered into the eleventh amending agreement to the Receivables Purchase Agreement dated as of December 16, 2014. The amended Receivables Purchase Agreement provides for, among other things, an extension of the maturity date to December 15, 2024, an increase to the facility limit from \$420 million to \$520 million, and a fee rate increase from 0.775% to 0.825%. Additionally, since Canadian Dollar Offered Rate (“CDOR”) ceased being used in Canada in June 2024, references to CDOR changed to the Benchmark rate.

At June 30, 2024, the translated balance of the secured borrowings totaled \$380.3 million compared to \$392.5 million at December 31, 2023 and \$392.4 million at June 30, 2023. The interest rate under the Receivables Purchase Agreement is the Canadian Commercial Paper Rate plus fee rate of 0.825%.

The remaining \$11.1 million, \$9.4 million and \$9.3 million within secured borrowings at June 30, 2024, December 31, 2023 and June 30, 2023, respectively, represent 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.

Other Borrowings

Other borrowings represent a fixed-rate promissory note (“Fixed-Rate Promissory Note”) issued by the Company in June 2017. Subsequent amendments to the Fixed-Rate Promissory Note since issuance increased the principal amount to \$66.4 million, reduced the interest rate to 1.70% and extended the maturity date to March 31, 2025. The Fixed-Rate Promissory Note contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and indebtedness. At June 30, 2024, the Company was in compliance with all such covenants.

Subordinated Notes

At June 30, 2024, the Company had outstanding subordinated notes totaling \$298.1 million compared to \$437.9 million and \$437.6 million at December 31, 2023 and June 30, 2023, respectively. The notes issued in 2019 have a stated interest rate of 4.85% and mature in June 2029. In the second quarter of 2024, the Company repaid the \$140.0 million of subordinated notes issued in 2014. The notes had a stated interest rate of 5.00% and matured in June 2024.

(12) Junior Subordinated Debentures

The following table provides a summary of the Company’s junior subordinated debentures as of June 30, 2024. The junior subordinated debentures represent the par value of the obligations owed to the Trusts.

(Dollars in thousands)	Common Securities	Trust Preferred Securities	Junior Subordinated Debentures	Rate Structure ⁽¹⁾	Contractual Rate at 6/30/2024	Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust III	\$ 774	\$ 25,000	\$ 25,774	S+0.26161+3.25	8.84 %	04/2003	04/2033	04/2008
Wintrust Statutory Trust IV	619	20,000	20,619	S+0.26161+2.80	8.39 %	12/2003	12/2033	12/2008
Wintrust Statutory Trust V	1,238	40,000	41,238	S+0.26161+2.60	8.19 %	05/2004	05/2034	06/2009
Wintrust Capital Trust VII	1,550	50,000	51,550	S+0.26161+1.95	7.55 %	12/2004	03/2035	03/2010
Wintrust Capital Trust VIII	1,238	25,000	26,238	S+0.26161+1.45	7.04 %	08/2005	09/2035	09/2010
Wintrust Capital Trust IX	1,547	50,000	51,547	S+0.26161+1.63	7.23 %	09/2006	09/2036	09/2011
Northview Capital Trust I	186	6,000	6,186	S+0.26161+3.00	8.59 %	08/2003	11/2033	08/2008
Town Bankshares Capital Trust I	186	6,000	6,186	S+0.26161+3.00	8.59 %	08/2003	11/2033	08/2008
First Northwest Capital Trust I	155	5,000	5,155	S+0.26161+3.00	8.59 %	05/2004	05/2034	05/2009
Suburban Illinois Capital Trust II	464	15,000	15,464	S+0.26161+1.75	7.35 %	12/2006	12/2036	12/2011
Community Financial Shares Statutory Trust II	109	3,500	3,609	S+0.26161+1.62	7.22 %	06/2007	09/2037	06/2012
Total			\$ 253,566		7.79 %			

(1) The interest rates on the variable rate junior subordinated debentures are based on the three-month Chicago Mercantile Exchange (“CME”) Term Secured Overnight Financing Rate (“SOFR”) and reset on a quarterly basis.

The junior subordinated debentures totaled \$253.6 million at June 30, 2024, December 31, 2023 and June 30, 2023. At June 30, 2024, the weighted average contractual interest rate on the junior subordinated debentures was 7.79%.

(13) 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” in Item 1 of this report 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 table 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 Note (1) “Summary of Significant Accounting Policies” of the 2023 Form 10-K. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment.

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

	Three Months Ended			
(Dollars in thousands)	June 30, 2024	June 30, 2023	\$ Change in Contribution	% Change in Contribution
Net interest income:				
Community Banking	\$ 358,832	\$ 346,232	\$ 12,600	4 %
Specialty Finance	95,191	84,993	10,198	12
Wealth Management	7,928	7,404	524	7
Total Operating Segments	461,951	438,629	23,322	5
Intersegment Eliminations	8,659	8,908	(249)	(3)
Consolidated net interest income	\$ 470,610	\$ 447,537	\$ 23,073	5 %
Provision for credit losses:				
Community Banking	\$ 36,325	\$ 26,713	\$ 9,612	36 %
Specialty Finance	3,736	1,801	1,935	107
Wealth Management	—	—	—	—
Total Operating Segments	40,061	28,514	11,547	40
Intersegment Eliminations	—	—	—	—
Consolidated provision for credit losses	\$ 40,061	\$ 28,514	\$ 11,547	40 %
Non-interest income:				
Community Banking	\$ 71,619	\$ 68,130	\$ 3,489	5 %
Specialty Finance	32,317	31,737	580	2
Wealth Management	35,605	33,391	2,214	7
Total Operating Segments	139,541	133,258	6,283	5
Intersegment Eliminations	(18,394)	(20,228)	1,834	(9)
Consolidated non-interest income	\$ 121,147	\$ 113,030	\$ 8,117	7 %
Net revenue:				
Community Banking	\$ 430,451	\$ 414,362	\$ 16,089	4 %
Specialty Finance	127,508	116,730	10,778	9
Wealth Management	43,533	40,795	2,738	7
Total Operating Segments	601,492	571,887	29,605	5
Intersegment Eliminations	(9,735)	(11,320)	1,585	(14)
Consolidated net revenue	\$ 591,757	\$ 560,567	\$ 31,190	6 %
Segment profit:				
Community Banking	\$ 91,235	\$ 102,517	\$ (11,282)	(11)%
Specialty Finance	53,091	46,402	6,689	14
Wealth Management	8,062	5,831	2,231	38
Consolidated net income	\$ 152,388	\$ 154,750	\$ (2,362)	(2)%
Segment assets:				
Community Banking	\$ 47,611,508	\$ 42,452,673	\$ 5,158,835	12 %
Specialty Finance	11,014,840	10,549,819	465,021	4
Wealth Management	1,155,168	1,283,684	(128,516)	(10)
Consolidated total assets	\$ 59,781,516	\$ 54,286,176	\$ 5,495,340	10 %

NM - Not meaningful

	Six Months Ended			
	June 30, 2024	June 30, 2023	\$ Change in Contribution	% Change in Contribution
(Dollars in thousands)				
Net interest income:				
Community Banking	\$ 722,517	\$ 716,080	\$ 6,437	1 %
Specialty Finance	177,473	155,344	22,129	14
Wealth Management	15,686	16,359	(673)	(4)
Total Operating Segments	915,676	887,783	27,893	3
Intersegment Eliminations	19,128	17,749	1,379	8
Consolidated net interest income	\$ 934,804	\$ 905,532	\$ 29,272	3 %
Provision for credit losses:				
Community Banking	\$ 56,717	\$ 47,812	\$ 8,905	19 %
Specialty Finance	5,017	3,747	1,270	34
Wealth Management	—	—	—	—
Total Operating Segments	61,734	51,559	10,175	20
Intersegment Eliminations	—	—	—	—
Consolidated provision for credit losses	\$ 61,734	\$ 51,559	\$ 10,175	20 %
Non-interest income:				
Community Banking	\$ 146,255	\$ 136,863	\$ 9,392	7 %
Specialty Finance	59,634	57,527	2,107	4
Wealth Management	94,090	63,688	30,402	48
Total Operating Segments	299,979	258,078	41,901	16
Intersegment Eliminations	(38,252)	(37,279)	(973)	3
Consolidated non-interest income	\$ 261,727	\$ 220,799	\$ 40,928	19 %
Net revenue:				
Community Banking	\$ 868,772	\$ 852,943	\$ 15,829	2 %
Specialty Finance	237,107	212,871	24,236	11
Wealth Management	109,776	80,047	29,729	37
Total Operating Segments	1,215,655	1,145,861	69,794	6
Intersegment Eliminations	(19,124)	(19,530)	406	(2)
Consolidated net revenue	\$ 1,196,531	\$ 1,126,331	\$ 70,200	6 %
Segment profit:				
Community Banking	\$ 211,282	\$ 236,749	\$ (25,467)	12 %
Specialty Finance	95,614	83,139	12,475	4
Wealth Management	32,786	15,060	17,726	(10)
Consolidated net income	\$ 339,682	\$ 334,948	\$ 4,734	10 %

NM - Not meaningful

(14) 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 or commodity price) as specified in the contract. The amount of cash delivered from one party to the other is determined based on the interaction of the notional amount of the contract with the underlying term. Derivatives are also implicit in certain contracts and commitments.

The derivative financial instruments currently used by the Company to manage its exposure to interest rate risk include: (1) interest rate swaps and collars to manage the interest rate risk of certain fixed and variable rate assets and variable rate liabilities; (2) interest rate lock commitments provided to customers to fund certain mortgage loans to be sold into the secondary market; (3) forward commitments for the future delivery of such mortgage loans to protect the Company from adverse changes in interest rates and corresponding changes in the value of mortgage loans held-for-sale; (4) covered call options to economically hedge specific investment securities and receive fee income, effectively enhancing the overall yield on such securities to compensate for net interest margin compression; and (5) options and swaps to economically hedge a portion of the fair value adjustments related to the Company's mortgage servicing rights portfolio. The Company also enters into derivatives (typically interest rate swaps and commodity forward contracts) with certain qualified borrowers to facilitate the borrowers' risk management strategies and concurrently enters into mirror-image derivatives with a third party counterparty, effectively making a market in the derivatives for such borrowers. Additionally, the Company enters into foreign currency contracts to manage foreign exchange risk associated with certain foreign currency denominated assets.

The Company recognizes derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. The Company records derivative assets and derivative liabilities on the Consolidated Statements of Condition within accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders' equity as a component of accumulated other comprehensive income or loss depending on whether the derivative financial instrument qualifies for hedge accounting and, if so, whether it qualifies as a fair value hedge or cash flow hedge.

Changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for as cash flow hedges are recorded as a component of accumulated other comprehensive income or loss, net of deferred taxes, and reclassified to earnings when the hedged transaction affects earnings. Changes in fair values of derivative financial instruments not designated in a hedging relationship pursuant to ASC 815 are reported in non-interest income during the period of the change. Derivative financial instruments are valued by a third party and are corroborated by comparison with valuations provided by the respective counterparties. Fair values of certain mortgage banking derivatives (interest rate lock commitments and forward commitments to sell mortgage loans) are estimated based on changes in mortgage interest rates from the date of the loan commitment. The fair value of foreign currency derivatives is computed based on changes in foreign currency rates stated in the contract compared to those prevailing at the measurement date. Commodity derivative fair values are computed based on changes in the price per unit 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 June 30, 2024, December 31, 2023 and June 30, 2023:

(In thousands)	Derivative Assets			Derivative Liabilities		
	June 30, 2024	December 31, 2023	June 30, 2023	June 30, 2024	December 31, 2023	June 30, 2023
Derivatives designated as hedging instruments under ASC 815:						
Interest rate derivatives designated as Cash Flow Hedges	\$ 7,532	\$ 40,116	\$ 2,154	\$ 96,825	\$ 44,456	\$ 121,347
Interest rate derivatives designated as Fair Value Hedges	12,678	12,349	16,255	—	273	—
Total derivatives designated as hedging instruments under ASC 815	\$ 20,210	\$ 52,465	\$ 18,409	\$ 96,825	\$ 44,729	\$ 121,347
Derivatives not designated as hedging instruments under ASC 815:						
Interest rate derivatives	\$ 215,275	\$ 211,490	\$ 261,205	\$ 217,157	\$ 210,397	\$ 261,066
Interest rate lock commitments	4,795	4,511	3,487	67	—	172
Forward commitments to sell mortgage loans	102	—	2,769	597	5,212	38
Commodity forward contracts	702	888	434	304	609	214
Foreign exchange contracts	2,776	6,372	8,444	2,709	6,308	8,335
Total derivatives not designated as hedging instruments under ASC 815	\$ 223,650	\$ 223,261	\$ 276,339	\$ 220,834	\$ 222,526	\$ 269,825
Total Derivatives	\$ 243,860	\$ 275,726	\$ 294,748	\$ 317,659	\$ 267,255	\$ 391,172

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to net interest income and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps and interest rate collars as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts to or from a counterparty in exchange for the Company receiving or paying 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 settlement of amounts in which the interest rate index specified in the contract exceeds the agreed upon cap strike rate or in which the interest rate index specified in the contract is below the agreed upon floor strike rate at the end of each period.

As of June 30, 2024, the Company had various interest rate collar and swap derivatives designated as cash flow hedges of variable rate loans. When the relationship between the hedged item and hedging instrument is highly effective at achieving offsetting changes in cash flows attributable to the hedged risk, changes in the fair value of these cash flow hedges are recorded in accumulated other comprehensive income or loss and are subsequently reclassified to interest income as interest payments

are made on such variable rate loans. The changes in fair value (net of tax) are separately disclosed in the Consolidated Statements of Comprehensive Income.

The table below provides details on these cash flow hedges, summarized by derivative type and maturity, as of June 30, 2024:

	June 30, 2024	
	Notional Amount	Fair Value Asset (Liability)
(In thousands)		
<i>Interest Rate Collars at 1-month CME term SOFR:</i>		
Buy 2.250% floor, sell 3.743% cap; matures September 2025	\$ 1,250,000	\$ (16,589)
Buy 2.750% floor, sell 4.320% cap; matures October 2026	500,000	(4,740)
Buy 2.000% floor, sell 3.450% cap; matures September 2027	1,250,000	(37,289)
<i>Interest Rate Swaps at 1-month CME term SOFR:</i>		
Fixed 3.748%; matures December 2025	250,000	(3,114)
Fixed 3.759%; matures December 2025	250,000	(3,075)
Fixed 3.680%; matures February 2026	250,000	(3,735)
Fixed 4.176%; matures March 2026	250,000	(1,773)
Fixed 3.915%; matures March 2026	250,000	(2,826)
Fixed 4.450%; matures July 2026	250,000	(206)
Fixed 3.515%; matures December 2026	250,000	(4,597)
Fixed 3.512%; matures December 2026	250,000	(4,614)
Fixed 3.453%; matures February 2027	250,000	(5,369)
Fixed 4.150%; matures July 2027	250,000	(591)
Fixed 3.748%; matures March 2028	250,000	(3,203)
Fixed 3.526%; matures March 2028	250,000	(5,104)
Fixed 3.993%; matures October 2029	100,000	444
Fixed 3.993%; matures October 2029	250,000	1,111
Fixed 4.245%; matures November 2029	175,000	2,988
Fixed 4.245%; matures November 2029	175,000	2,988
Total Cash Flow Hedges	\$ 6,700,000	\$ (89,294)

In the first quarter of 2022, the Company terminated interest rate swap derivative contracts designated as cash flow hedges of variable rate deposits with a total notional value of \$1.0 billion and a five-year term effective July 2022. At the time of termination, the fair value of the derivative contracts totaled an asset of \$66.5 million, with such adjustments to fair value recorded in accumulated other comprehensive income or loss. In the second quarter of 2022, the Company terminated two additional interest rate swap derivative contracts designated as cash flow hedges of variable rate deposits with a total notional value of \$500.0 million each effective since April 2020. The remaining terms of such derivative contracts were through March 2023 and April 2024 and, at the time of termination, the fair value of the derivative contracts totaled assets of \$3.7 million and \$10.7 million, respectively, with such adjustments to fair value recorded in accumulated other comprehensive income or loss. In the fourth quarter of 2022, the Company terminated one additional interest rate collar derivative contract designated as a cash flow hedge of a term borrowing facility with a total notional value of \$64.3 million effective since September 2018. The remaining term of such derivative contract was through September 2023 and, at the time of termination, the fair value of the derivative contract totaled an asset of \$875,000, with such adjustments to fair value recorded in accumulated other comprehensive income or loss.

For all such terminations, as the hedged forecasted transactions (interest payments on variable rate deposits and a term borrowing facility) are still expected to occur over the remaining term of such terminated derivatives, such adjustments will remain in accumulated other comprehensive income or loss and be reclassified as a reduction to interest expense on a straight-line basis over the original term of the terminated derivative contracts.

A rollforward of the amounts in accumulated other comprehensive income or loss related to interest rate derivatives designated as cash flow hedges, including such derivative contracts terminated during the period, follows:

(In thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Unrealized gain at beginning of period	\$ (38,553)	\$ 44,692	\$ 43,538	\$ 10,026
Amount reclassified from accumulated other comprehensive income or loss to interest income or expense on deposits, loans, and other borrowings	20,524	14,267	40,342	18,014
Amount of loss recognized in other comprehensive income or loss	(31,367)	(120,698)	(133,276)	(89,779)
Unrealized (loss) gain at end of period	<u>\$ (49,396)</u>	<u>\$ (61,739)</u>	<u>\$ (49,396)</u>	<u>\$ (61,739)</u>

As of June 30, 2024, the Company estimated that during the next 12 months \$60.6 million will be reclassified from accumulated other comprehensive income or loss as a decrease to net interest income. Such estimate consists of \$13.3 million reclassified as a reduction to interest expense on the terminated cash flow hedges discussed above and \$73.9 million reclassified as a reduction to interest income related to the interest rate collars and swaps noted above that remain outstanding.

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 June 30, 2024, the Company had 13 interest rate swaps with an aggregate notional amount of \$213.1 million that were designated as fair value hedges primarily associated with fixed rate commercial and industrial and commercial real estate loans as well as life insurance premium finance receivables.

For derivatives designated and that qualify as fair value hedges, the net gain or loss from the entire change in the fair value of the derivative instrument is recognized in the same income statement line item as the earnings effect, including the net gain or loss, of the hedged item (interest income earned on fixed rate loans) when the hedged item affects earnings.

The following table presents the carrying amount of the hedged assets/(liabilities) and the cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged assets/(liabilities) that are designated as a fair value hedge accounting relationship as of June 30, 2024:

(In thousands)		June 30, 2024		
Derivatives in Fair Value Hedging Relationships	Location in the Statement of Condition	Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Remaining for any Hedged Assets/(Liabilities) for which Hedge Accounting has been Discontinued
Interest rate swaps	Loans, net of unearned income	\$ 199,732	\$ (12,684)	\$ (69)
	Available-for-sale debt securities	672	(18)	—

The following table presents the loss or gain recognized related to derivative instruments that are designated as fair value hedges for the respective period:

(In thousands)		Three Months Ended	Six Months Ended
Derivatives in Fair Value Hedging Relationships	Location of (Loss)/Gain Recognized in Income on Derivative	June 30, 2024	June 30, 2024
Interest rate swaps	Interest and fees on loans	\$ (16)	\$ (6)
	Interest income - investment securities	—	—

Non-Designated Hedges

The Company does not use derivatives for speculative purposes. Derivatives not designated as accounting hedges are used to manage the Company's economic exposure to interest rate movements and other identified risks but do not meet the strict

hedge accounting requirements of ASC 815. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings.

Interest Rate Derivatives—Periodically, the Company may purchase interest rate cap derivatives designed to act as an economic hedge of the risk of the negative impact on its fixed-rate loan portfolios from rising interest rates. As of June 30, 2024, there were no interest rate caps outstanding that were designed to act as an economic hedge.

Additionally, the Company has interest rate derivatives, including swaps and option products, resulting from a service the Company provides to certain qualified borrowers. The Company's banking subsidiaries execute certain derivative products (typically interest rate swaps) directly with qualified commercial borrowers to facilitate their respective risk management strategies. For example, these arrangements allow the Company's commercial borrowers to effectively convert a variable rate loan to a fixed rate. In order to minimize the Company's exposure on these transactions, the Company simultaneously executes offsetting derivatives with third parties. In most cases, the offsetting derivatives have mirror-image terms, which result in the positions' changes in fair value substantially offsetting through earnings each period. However, to the extent that the derivatives are not a mirror-image and because of differences in counterparty credit risk, changes in fair value will not completely offset resulting in some earnings impact each period. Changes in the fair value of these derivatives are included in other non-interest income. At June 30, 2024 and December 31, 2023, the Company had interest rate derivative transactions with an aggregate notional amount of approximately \$12.2 billion and \$11.4 billion, respectively, (all interest rate swaps and caps with customers and third parties) related to this program. At June 30, 2024 these interest rate derivatives had maturity dates ranging from July 2024 to January 2037.

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 its 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 June 30, 2024 and December 31, 2023, the Company had interest rate lock commitments with an aggregate notional amount of approximately \$237.9 million and \$129.9 million, and forward commitments to sell mortgage loans with an aggregate notional amount of approximately \$641.3 million and \$626.9 million, respectively. 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.

Commodity Derivatives—The Company has commodity forward contracts resulting from a service the Company provides to certain qualified borrowers. The Company's banking subsidiaries execute certain derivative products directly with qualified commercial borrowers to facilitate their respective risk management strategies. For example, these arrangements allow the Company's commercial borrowers to effectively purchase or sell a given commodity at an agreed-upon price on an agreed-upon settlement date. 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 June 30, 2024 and December 31, 2023, the Company had commodity derivative transactions with an aggregate notional amount of approximately \$12.6 million and \$8.4 million, respectively, (all forward contracts with customers and third parties) related to this program. At June 30, 2024, these commodity derivatives had maturity dates ranging from July 2024 to October 2025.

Foreign Currency Derivatives—The Company has foreign currency derivative contracts resulting from a service the Company provides to certain qualified customers. The Company's banking subsidiaries execute certain derivative products directly with qualified customers to facilitate their respective risk management strategies related to foreign currency fluctuations. For example, these arrangements allow the Company's customers to effectively exchange the currency of one country for the currency of another country at an agreed-upon price on an agreed-upon settlement date. 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. As of June 30, 2024 and December 31, 2023, the Company held foreign currency derivatives with an aggregate notional amount of approximately \$138.8 million and \$144.3 million, respectively.

Other Derivatives—Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the banks’ investment portfolios (covered call options). These option transactions are designed to increase the total return associated with the investment securities portfolio. These options do not qualify as accounting hedges pursuant to ASC 815 and, accordingly, changes in the fair value of these contracts are recognized as other non-interest income. There were no covered call options outstanding as of June 30, 2024, December 31, 2023 or June 30, 2023.

Periodically, the Company will purchase options for the right to purchase securities not currently held within the banks’ investment portfolios or enter into interest rate swaps in which the Company elects to not designate such derivatives as hedging instruments. These option and swap transactions are designed primarily to economically hedge a portion of the fair value adjustments related to the Company’s mortgage servicing rights portfolio. The gain or loss associated with these derivative contracts are included in mortgage banking revenue. The Company held six interest rate derivatives with an aggregate notional value of \$170.0 million at June 30, 2024 and four interest rate derivatives with an aggregate notional value of and \$195.0 million at December 31, 2023, for such purpose of economically hedging a portion of the fair value adjustment related to its mortgage servicing rights portfolio.

Amounts included in the Consolidated Statements of Income related to derivative instruments not designated in hedge relationships were as follows:

(In thousands)		Three Months Ended		Six Months Ended	
Derivative	Location in income statement	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Interest rate swaps and caps	Trading gains, net	\$ (102)	\$ 12	\$ 493	\$ 812
Mortgage banking derivatives	Mortgage banking revenue	3,721	4,791	3,706	8,431
Commodity contracts	Trading gains, net	130	49	398	226
Foreign exchange contracts	Trading gains, net	11	—	19	—
Covered call options	Fees from covered call options	2,056	2,578	6,903	12,969
Derivative contract held as economic hedge on MSRs	Mortgage banking revenue	(772)	(726)	(3,349)	220

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 June 30, 2024, there were no interest rate derivatives in a net liability position that were subject to such agreements. The fair value of such derivatives includes accrued interest related to these agreements. If the Company had breached any of these provisions and those derivatives subject to such agreements were in a liability position, and the derivatives were terminated as a result, the Company would have been required to settle its obligations under the agreements at the termination value and would have been required to pay any additional amounts due in excess of amounts previously posted as collateral with the respective counterparty.

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

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

(In thousands)	Derivative Assets			Derivative Liabilities		
	Fair Value			Fair Value		
	June 30, 2024	December 31, 2023	June 30, 2023	June 30, 2024	December 31, 2023	June 30, 2023
Gross Amounts Recognized	\$ 235,485	\$ 263,955	\$ 279,614	\$ 313,982	\$ 255,126	\$ 382,413
Less: Amounts offset in the Statements of Condition	—	—	—	—	—	—
Net amount presented in the Statements of Condition	\$ 235,485	\$ 263,955	\$ 279,614	\$ 313,982	\$ 255,126	\$ 382,413
Gross amounts not offset in the Statements of Condition						
Offsetting Derivative Positions	(114,662)	(76,514)	(125,159)	(114,662)	(76,514)	(125,159)
Collateral Posted	(85,762)	(144,899)	(145,735)	—	—	—
Net Credit Exposure	\$ 35,061	\$ 42,542	\$ 8,720	\$ 199,320	\$ 178,612	\$ 257,254

(15) Fair Values of Assets and Liabilities

The Company measures, monitors and discloses certain of its assets and liabilities on a fair value basis. These financial assets and financial liabilities are measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the observability of the 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. The 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 determine the fair value of these securities. When these inputs are not available, broker/dealer quotes may be obtained by the vendor to determine the fair value of the security. We review the vendor's pricing methodologies to determine if observable market information is being used, versus unobservable inputs. Fair value measurements using significant inputs that are unobservable in the market due to limited activity or a less liquid market are classified as Level 3 in the fair value hierarchy. The fair value of U.S. Treasury securities and certain equity securities with readily determinable fair value are based on unadjusted quoted prices in active markets for identical securities. As such, these securities are classified as Level 1 in the fair value hierarchy.

The Company's Investment Operations Department is responsible for the valuation of Level 3 available-for-sale debt securities. The methodology and variables used as inputs in pricing Level 3 securities are derived from a combination of observable and unobservable inputs. The unobservable inputs are determined through internal assumptions that may vary from period to period due to external factors, such as market movement and credit rating adjustments.

At June 30, 2024, the Company classified \$95.8 million of municipal securities as Level 3. These municipal securities are bond issues for various municipal government entities primarily located in the Chicago metropolitan area and southern Wisconsin and are privately placed, non-rated bonds without CUSIP numbers. The Company's methodology for pricing these securities focuses on three distinct inputs: equivalent rating, yield and other pricing terms. To determine the rating for a given non-rated investment debt security, the Investment Operations Department references a rated, publicly issued bond by the same issuer if available. A reduction is then applied to the rating obtained from the comparable bond, as the Company believes if liquidated, a non-rated bond would be valued less than a similar bond with a verifiable rating. The reduction applied by the Company is one complete rating grade (i.e. a "AA" rating for a comparable bond would be reduced to "A" for the Company's valuation). For bond issues without comparable bond proxies, a rating of "BBB" was assigned. In the second quarter of 2024, all of the ratings derived by the Investment Operations Department using the above process were "BBB" or better. The fair value measurement noted above 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 June 30, 2024 are continuously callable. When valuing these bonds, the fair value is capped at par value as the Company assumes a market participant would not pay more than par for a continuously callable bond.

Mortgage loans held-for-sale—The fair value of mortgage loans held-for-sale is typically determined by reference to investor price sheets for loan products with similar characteristics. Loans measured with this valuation technique are classified as Level 2 in the fair value hierarchy.

At June 30, 2024, the Company classified \$40.5 million of certain delinquent mortgage loans held-for-sale as Level 3. For such delinquent loans in which investor interest may be limited, the Company estimates fair value by discounting future scheduled cash flows for the specific loan through its life, adjusted for estimated credit losses. The Company uses a discount rate based on prevailing market coupon rates on loans with similar characteristics. The assumed weighted average discount rate used as an input to value these loans at June 30, 2024 was 6.83%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. Additionally, the weighted average credit discount used as an input to value the specific loans was 0.36% with credit loss discount ranging from 0%-13% at June 30, 2024.

Loans held-for-investment—The fair value for certain loans in which the Company previously 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 prepayment or life assumptions. These loans primarily consist of early buyout loans guaranteed by U.S. government agencies that are delinquent and, as a result, investor interest may be limited. The Company uses a discount rate based on the actual coupon rate of the underlying loan. At June 30, 2024, the Company classified \$45.7 million of loans held-for-investment carried at fair value as Level 3. The assumed weighted average discount rate used as an input to value these loans at June 30, 2024 was 6.83%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. As noted above, the fair value estimate also includes assumptions of prepayment speeds and average life as well as credit losses. The weighted average prepayments speed used as an input to value current loans was 7.86% at June 30, 2024. Prepayment speeds are inversely related to the fair value of these loans as an increase in prepayment speeds results in a decreased valuation. For delinquent loans in which performance is not assumed and there is a higher probability of resolution of the loan ending in foreclosure, the weighted average life of such loans was 5.9 years. Average life is inversely related to the fair value of these loans as an increase in estimated life results in a decreased valuation. Additionally, the weighted average credit discount used as an input to value the specific loans was 1.10% with credit loss discounts ranging from 0%-17% at June 30, 2024.

MSRs—Fair value for MSRs is determined utilizing a valuation model which calculates the fair value of each servicing right based on the present value of estimated future cash flows. The Company uses a discount rate commensurate with the risk associated with each servicing right, given current market conditions. At June 30, 2024, the Company classified \$204.6 million of MSRs as Level 3. The weighted average discount rate used as an input to value the pool of MSRs at June 30, 2024 was 10.98% with discount rates applied ranging from 1%-36%. The higher the rate utilized to discount estimated future cash flows, the lower the fair value measurement. The fair value of MSRs was also estimated based on other assumptions including prepayment speeds and the cost to service. Prepayment speeds ranged from 0%-90% or a weighted average prepayment speed of 7.86%. Further, for current and delinquent loans, the Company assumed a weighted average cost of servicing of \$77 and \$361, 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 (9) "Mortgage Servicing Rights ("MSRs")" in Item 1 of this report 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, commodity future contracts and foreign currency contracts. Interest rate swaps, caps and collars and commodity future contracts are valued by a third party, using models that primarily use market observable inputs, such as yield curves and commodity prices prevailing at the measurement date, and are classified as Level 2 in the fair value hierarchy. The credit risk associated with derivative financial instruments that are subject to master netting agreements is measured on a net basis by counterparty portfolio. The fair value for mortgage-related derivatives is based on changes in mortgage rates from the date of the commitments. The fair value of foreign currency derivatives is computed based on change in foreign currency rates stated in the contract compared to those prevailing at the measurement date.

At June 30, 2024, the Company classified \$4.8 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 June 30, 2024 was 81.17% with pull-through rates applied ranging from 4% to 100%. Pull-through rates are directly related to the fair value of interest rate locks as an increase in the pull-through rate results in an increased valuation.

Nonqualified deferred compensation assets—The underlying assets relating to the nonqualified deferred compensation plan are included in a trust and primarily consist of non-exchange traded institutional funds which are priced based by an independent third party service. These assets are classified as Level 2 in the fair value hierarchy.

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

(In thousands)	June 30, 2024			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	\$ 102,712	\$ 102,712	\$ —	\$ —
U.S. government agencies	45,192	—	45,192	—
Municipal	146,608	—	50,816	95,792
Corporate notes	77,975	—	77,975	—
Mortgage-backed	3,957,470	—	3,957,470	—
Trading account securities	4,134	—	4,134	—
Equity securities with readily determinable fair value	112,173	104,107	8,066	—
Mortgage loans held-for-sale	411,851	—	371,306	40,545
Loans held-for-investment	135,834	—	90,113	45,721
MSRs	204,610	—	—	204,610
Nonqualified deferred compensation assets	16,041	—	16,041	—
Derivative assets	243,860	—	239,065	4,795
Total	\$ 5,458,460	\$ 206,819	\$ 4,860,178	\$ 391,463
Derivative liabilities	\$ 317,659	\$ —	\$ 317,659	\$ —

(In thousands)	December 31, 2023			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	\$ 6,968	\$ 6,968	\$ —	\$ —
U.S. government agencies	45,124	—	45,124	—
Municipal	140,958	—	54,721	86,237
Corporate notes	76,531	—	76,531	—
Mortgage-backed	3,233,334	—	3,233,334	—
Trading account securities	4,707	—	4,707	—
Equity securities with readily determinable fair value	139,268	131,202	8,066	—
Mortgage loans held-for-sale	292,722	—	265,887	26,835
Loans held-for-investment	155,261	—	94,591	60,670
MSRs	192,456	—	—	192,456
Nonqualified deferred compensation assets	15,238	—	15,238	—
Derivative assets	275,726	—	271,216	4,510
Total	\$ 4,578,293	\$ 138,170	\$ 4,069,415	\$ 370,708
Derivative liabilities	\$ 267,255	\$ —	\$ 267,255	\$ —

(In thousands)	June 30, 2023			
	Total	Level 1	Level 2	Level 3
Available-for-sale securities				
U.S. Treasury	\$ —	\$ —	\$ —	\$ —
U.S. government agencies	74,275	—	74,275	—
Municipal	167,411	—	53,256	114,155
Corporate notes	72,060	—	72,060	—
Mortgage-backed	3,178,735	—	3,178,735	—
Trading account securities	3,027	—	3,027	—
Equity securities with readily determinable fair value	116,275	108,209	8,066	—
Mortgage loans held-for-sale	338,728	—	309,322	29,406
Loans held-for-investment	193,953	—	132,830	61,123
MSRs	200,692	—	—	200,692
Nonqualified deferred compensation assets	14,796	—	14,796	—
Derivative assets	294,748	—	291,261	3,487
Total	\$ 4,654,700	\$ 108,209	\$ 4,137,628	\$ 408,863
Derivative liabilities	\$ 391,172	\$ —	\$ 391,172	\$ —

The aggregate remaining contractual principal balance outstanding as of June 30, 2024, December 31, 2023 and June 30, 2023 for mortgage loans held-for-sale measured at fair value under ASC 825 was \$414.1 million, \$291.7 million and \$345.7 million, respectively, while the aggregate fair value of mortgage loans held-for-sale was \$411.9 million, \$292.7 million and \$338.7 million, for the same respective periods, as shown in the above tables. At June 30, 2024, \$2.1 million of mortgage loans held-for-sale were classified as nonaccrual compared to \$649,000 as of December 31, 2023 and \$582,000 as of June 30, 2023. Additionally, there were \$39.4 million of loans past due greater than 90 days and still accruing in the mortgage loans held-for-sale portfolio as of June 30, 2024 compared to \$26.6 million as of December 31, 2023 and \$29.6 million as of June 30, 2023. All of the nonaccrual loans and loans past due greater than 90 days and still accruing within the mortgage loans held-for-sale portfolio at June 30, 2024, December 31, 2023, and June 30, 2023 were individual delinquent mortgage loans bought back from GNMA at the unconditional option of the Company as servicer for those loans.

The aggregate remaining contractual principal balance outstanding as of June 30, 2024, December 31, 2023 and June 30, 2023 for loans held-for-investment measured at fair value under ASC 825 was \$136.1 million, \$156.9 million and \$196.6 million, respectively, while the aggregate fair value of loans held-for-investment was \$135.8 million, \$155.3 million and \$194.0 million, respectively, as shown in the above tables.

The changes in Level 3 assets measured at fair value on a recurring basis during the three and six months ended June 30, 2024 and 2023 are summarized as follows:

(In thousands)	Municipal	Mortgage loans held-for-sale	Loans held-for-investment	Mortgage servicing rights	Derivative assets
Balance at April 1, 2024	\$ 88,219	\$ 33,726	\$ 49,317	\$ 201,044	\$ 6,212
Total net (losses) gains included in:					
Net income ⁽¹⁾	—	205	66	3,566	(1,417)
Other comprehensive income or loss	(680)	—	—	—	—
Purchases	9,682	—	—	—	—
Settlements	(1,429)	(10,269)	(7,709)	—	—
Net transfers into Level 3	—	16,883	4,047	—	—
Balance at June 30, 2024	\$ 95,792	\$ 40,545	\$ 45,721	\$ 204,610	\$ 4,795

(In thousands)	Municipal	Mortgage loans held-for-sale	Loans held-for-investment	Mortgage servicing rights	Derivative assets
Balance at April 1, 2023	\$ 112,257	\$ 44,250	\$ 69,493	\$ 224,470	\$ 5,356
Total net (losses) gains included in:					
Net income ⁽¹⁾	—	402	(619)	6,392	(1,869)
Other comprehensive income or loss	(3,161)	—	—	—	—
Purchases	6,978	—	—	—	—
Settlements	—	—	—	(30,170)	—
Net transfers into Level 3	(1,919)	(23,973)	(16,593)	—	—
Balance at June 30, 2023	\$ 114,155	\$ 29,406	\$ 61,123	\$ 200,692	\$ 3,487

(1) Changes in the balance of mortgage loans held-for-sale, MSRs, and derivative assets related to fair value adjustments are recorded as components of mortgage banking revenue. Changes in the balance of loans held-for-investment related to fair value adjustments are recorded as other non-interest income.

(In thousands)	Municipal	Mortgage loans held-for-sale	Loans held-for-investment	Mortgage servicing rights	Derivative Assets
Balance at January 1, 2024	\$ 86,237	\$ 26,835	\$ 60,670	\$ 192,456	\$ 4,510
Total net (losses) gains included in:					
Net income ⁽¹⁾	—	272	(251)	12,154	285
Other comprehensive income or loss	(2,668)	—	—	—	—
Purchases	18,066	—	—	—	—
Issuances	—	—	—	—	—
Sales	—	—	—	—	—
Settlements	(5,843)	(20,609)	(23,512)	—	—
Net transfers into Level 3	—	34,047	8,814	—	—
Balance at June 30, 2024	\$ 95,792	\$ 40,545	\$ 45,721	\$ 204,610	\$ 4,795

(In thousands)	Municipal	Mortgage loans held-for-sale	Loans held-for-investment	Mortgage servicing rights	Derivative Assets
Balance at January 1, 2023	\$ 117,537	\$ 48,655	\$ 84,165	\$ 230,225	\$ 1,711
Total net (losses) gains included in:					
Net income ⁽¹⁾	—	868	(255)	637	1,776
Other comprehensive income or loss	(4,823)	—	—	—	—
Purchases	11,396	—	—	—	—
Sales	—	—	—	(30,170)	—
Settlements	(9,955)	(42,592)	(36,915)	—	—
Net transfers into Level 3	—	22,475	14,128	—	—
Balance at June 30, 2023	\$ 114,155	\$ 29,406	\$ 61,123	\$ 200,692	\$ 3,487

(1) Changes in the balance of mortgage loans held-for-sale, MSRs and derivative assets related to fair value adjustments are recorded as components of mortgage banking revenue. Changes in the balance of loans held-for-investment related to fair value adjustments are recorded as other non-interest income.

Also, the Company may be required, from time to time, to measure certain other assets at fair value on a non-recurring 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 non-recurring 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 June 30, 2024:

(In thousands)	June 30, 2024				Three Months Ended June 30, 2024 Fair Value Losses Recognized, net	Six Months Ended June 30, 2024 Fair Value Losses Recognized, net
	Total	Level 1	Level 2	Level 3		
Individually assessed loans - foreclosure probable and collateral-dependent	\$ 118,286	\$ —	\$ —	\$ 118,286	\$ 25,113	\$ 41,839
Other real estate owned ⁽¹⁾	19,731	—	—	19,731	—	207
Total	\$ 138,017	\$ —	\$ —	\$ 138,017	\$ 25,113	\$ 42,046

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

Individually assessed loans—In accordance with ASC 326, the allowance for credit losses for loans and other financial assets held at amortized cost should be measured on a collective or pooled basis when such assets exhibit similar risk characteristics. In instances in which a financial asset does not exhibit similar risk characteristics to a pool, the Company is required to measure such allowance for credit losses on an individual asset basis. For the Company's loan portfolio, nonaccrual loans are considered to not exhibit similar risk characteristics as pools and thus are individually assessed. Credit losses are measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral. Individually assessed loans are considered a fair value measurement where an allowance for credit loss is established based on the fair value of collateral. Appraised values on relevant real estate properties, which may require adjustments to market-based valuation inputs, are generally used on foreclosure probable and collateral-dependent loans within the real estate portfolios.

The Company's Managed Assets Division is primarily responsible for the valuation of Level 3 inputs of individually assessed loans. For more information on individually assessed loans refer to Note (7) "Allowance for Credit Losses" in Item 1 of this report. At June 30, 2024, the Company had \$118.3 million of individually assessed loans classified as Level 3. All of the \$118.3 million of individually assessed loans were measured at fair value based on the underlying collateral of the loan as shown in the table above.

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 June 30, 2024, the Company had \$19.7 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 June 30, 2024 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	\$ 95,792	Bond pricing	Equivalent rating	BBB-AA+	N/A	Increase
Mortgage loans held-for-sale	40,545	Discounted cash flows	Discount rate	6.83%	6.83%	Decrease
			Credit discount	0% - 13%	0.36%	Decrease
Loans held-for-investment	45,721	Discounted cash flows	Discount rate	6.75% - 6.83%	6.83%	Decrease
			Credit discount	0% - 17%	1.10%	Decrease
			Constant prepayment rate (CPR) - current loans	7.86%	7.86%	Decrease
			Average life - delinquent loans (in years)	1.2 years - 10.6 years	5.9 years	Decrease
MSRs	204,610	Discounted cash flows	Discount rate	1% - 36%	10.98%	Decrease
			Constant prepayment rate (CPR)	0% - 90%	7.86%	Decrease
			Cost of servicing	\$70 - \$200	\$ 77	Decrease
			Cost of servicing - delinquent	\$200 - 1,000	\$ 361	Decrease
Derivatives	4,795	Discounted cash flows	Pull-through rate	4% - 100%	81.17 %	Increase
Measured at fair value on a non-recurring basis:						
Individually assessed loans - foreclosure probable and collateral-dependent	118,286	Appraisal value	Appraisal adjustment - cost of sale	10%	10.00%	Decrease
Other real estate owned	19,731	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:

(In thousands)	At June 30, 2024		At December 31, 2023		At June 30, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:						
Cash and cash equivalents	\$ 415,524	\$ 415,524	\$ 423,464	\$ 423,464	\$ 513,917	\$ 513,917
Interest-bearing deposits with banks	2,824,314	2,824,314	2,084,323	2,084,323	2,163,708	2,163,708
Available-for-sale securities	4,329,957	4,329,957	3,502,915	3,502,915	3,492,481	3,492,481
Held-to-maturity securities	3,755,924	3,060,467	3,856,916	3,215,468	3,564,473	2,887,891
Trading account securities	4,134	4,134	4,707	4,707	3,027	3,027
Equity securities with readily determinable fair value	112,173	112,173	139,268	139,268	116,275	116,275
FHLB and FRB stock, at cost	256,495	256,495	205,003	205,003	195,117	195,117
Brokerage customer receivables	13,682	13,682	10,592	10,592	15,722	15,722
Mortgage loans held-for-sale, at fair value	411,851	411,851	292,722	292,722	338,728	338,728
Loans held-for-investment, at fair value	135,834	135,834	155,261	155,261	193,953	193,953
Loans held-for-investment, at amortized cost	44,539,697	43,461,319	41,976,570	41,090,010	40,829,455	40,142,976
Nonqualified deferred compensation assets	16,041	16,041	15,238	15,238	14,796	14,796
Derivative assets	243,860	243,860	275,726	275,726	294,748	294,748
Accrued interest receivable and other	505,504	505,504	477,832	477,832	434,553	434,553
Total financial assets	\$ 57,564,990	\$ 55,791,155	\$ 53,420,537	\$ 51,892,529	\$ 52,170,953	\$ 50,807,892
Financial Liabilities						
Non-maturity deposits	\$ 38,778,256	\$ 38,778,256	\$ 38,772,098	\$ 38,772,098	\$ 37,682,437	\$ 37,682,437
Time certificates of deposit	9,270,770	9,248,374	6,625,072	6,603,746	6,356,270	6,300,161
FHLB advances	3,176,309	3,195,138	2,326,071	2,367,107	2,026,071	2,072,317
Other borrowings	606,579	605,305	645,813	643,755	665,219	662,156
Subordinated notes	298,113	273,666	437,866	413,501	437,628	405,762
Junior subordinated debentures	253,566	253,571	253,566	253,579	253,566	253,562
Derivative liabilities	317,659	317,659	267,255	267,255	391,172	391,172
Accrued interest payable	66,373	66,373	51,116	51,116	45,359	45,359
Total financial liabilities	\$ 52,767,625	\$ 52,738,342	\$ 49,378,857	\$ 49,372,157	\$ 47,857,722	\$ 47,812,926

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

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

Held-to-maturity securities. Held-to-maturity securities include U.S. government-sponsored agency securities, municipal bonds issued by various municipal government entities primarily located in the Chicago metropolitan area and southern Wisconsin and mortgage-backed securities. Fair values for held-to-maturity securities are typically based on prices obtained from independent pricing vendors. In accordance with ASC 820, the Company has generally categorized these held-to-maturity securities as a Level 2 fair value measurement. Fair values for certain other held-to-maturity securities are based on the bond pricing methodology discussed previously related to certain available-for-sale securities. In accordance with ASC 820, the Company has categorized these held-to-maturity securities as a Level 3 fair value measurement.

Loans held-for-investment, at amortized cost. Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real estate, etc. Each category is further segmented by interest rate type (fixed and variable). The fair value for 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 category. In accordance with ASC 820, the Company has categorized these loans as a Level 3 fair value measurement.

Time certificates of deposit. The fair value of time 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 time certificates of deposit. In accordance with ASC 820, the Company has categorized time certificates of deposit as a Level 3 fair value measurement.

FHLB advances. The fair value of FHLB advances is estimated by 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.

(16) Stock-Based Compensation Plans

As of June 30, 2024, approximately 662,000 shares were available for future grants, assuming the maximum number of shares are issued for the performance awards outstanding, approved under the Company Stock Incentive Plans (“the Plans”). Descriptions of the Plans are included in Note (18) “Stock Compensation Plans and Other Employee Benefit Plans” of the 2023 Form 10-K.

Stock-based compensation expense recognized in the Consolidated Statements of Income was \$9.0 million in the second quarter of 2024 and \$8.1 million in the second quarter of 2023, and \$18.1 million and \$16.4 million in the six months ended June 30, 2024 and 2023, respectively.

A summary of the Plans’ stock option activity for the six months ended June 30, 2024 and June 30, 2023 is presented below:

<i>Stock Options</i>	Common Shares	Weighted Average Strike Price	Remaining Contractual Term ⁽¹⁾	Intrinsic Value ⁽²⁾ (in thousands)
Outstanding at January 1, 2024	13,100	\$ 42.76		
Granted	—	—		
Exercised	(775)	32.26		
Forfeited or canceled	—	—		
Outstanding at June 30, 2024	12,325	\$ 43.42	4.0	\$ 680
Exercisable at June 30, 2024	12,325	\$ 43.42	4.0	\$ 680

<i>Stock Options</i>	Common Shares	Weighted Average Strike Price	Remaining Contractual Term ⁽¹⁾	Intrinsic Value ⁽²⁾ (in thousands)
Outstanding at January 1, 2023	68,093	\$ 41.14		
Granted	—	—		
Exercised	(54,218)	40.87		
Forfeited or canceled	—	—		
Outstanding at June 30, 2023	13,875	\$ 42.18	4.5	\$ 422
Exercisable at June 30, 2023	13,875	\$ 42.18	4.5	\$ 422

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

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

The aggregate intrinsic value of options exercised during the six months ended June 30, 2024 and June 30, 2023, was approximately \$50,000 and \$2.5 million, respectively. Cash received from option exercises under the Plans for the six months ended June 30, 2024 and June 30, 2023 was approximately \$25,000 and \$2.2 million, respectively.

A summary of the Plans' restricted share activity for the six months ended June 30, 2024 and June 30, 2023 is presented below:

	Six months ended June 30, 2024		Six months ended June 30, 2023	
	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
<i>Restricted Shares</i>				
Outstanding at January 1	746,123	\$ 79.60	610,155	\$ 73.21
Granted	389,198	99.50	260,173	88.29
Vested and issued	(228,719)	69.54	(103,161)	64.08
Forfeited or canceled	(7,893)	91.47	(7,638)	82.82
Outstanding at June 30	898,709	\$ 90.68	759,529	\$ 79.52
Vested, but deferred, at June 30	99,844	\$ 53.98	98,247	\$ 53.35

A summary of the Plans' performance-based stock award activity, based on the target level of the awards, for the six months ended June 30, 2024 and June 30, 2023 is presented below:

	Six months ended June 30, 2024		Six months ended June 30, 2023	
	Common Shares	Weighted Average Grant-Date Fair Value	Common Shares	Weighted Average Grant-Date Fair Value
<i>Performance-based Stock</i>				
Outstanding at January 1	553,026	\$ 79.69	545,379	\$ 70.30
Granted	96,952	58.78	186,313	92.45
Added by performance factor at vesting	111,304	100.44	23,161	63.64
Vested and issued	(295,644)	58.69	(178,203)	63.64
Forfeited or canceled	(3,154)	95.94	(7,909)	82.73
Outstanding at June 30	462,484	\$ 93.61	568,741	\$ 79.20
Vested, but deferred, at June 30	21,593	\$ 43.95	36,438	\$ 44.99

(17) Accumulated Other Comprehensive Income or Loss and Earnings Per Share

Accumulated Other Comprehensive Income or Loss

The following tables summarize the components of other comprehensive income or loss, including the related income tax effects, and the related amount reclassified to net income for the periods presented:

(In thousands)	Accumulated Unrealized (Losses) Gains on Securities	Accumulated Unrealized Gains (Losses) on Derivative Instruments	Accumulated Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive (Loss) Income
Balance at April 1, 2024	\$ (408,002)	\$ (28,329)	\$ (48,817)	\$ (485,148)
Other comprehensive loss during the period, net of tax, before reclassifications	(15,275)	(23,070)	(2,905)	(41,250)
Amount reclassified from accumulated other comprehensive income or loss into net income, net of tax	(885)	15,095	—	14,210
Amount reclassified from accumulated other comprehensive income or loss related to amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale, net of tax	(10)	—	—	(10)
Net other comprehensive (loss) during the period, net of tax	\$ (16,170)	\$ (7,975)	\$ (2,905)	\$ (27,050)
Balance at June 30, 2024	\$ (424,172)	\$ (36,304)	\$ (51,722)	\$ (512,198)
Balance at January 1, 2024	\$ (350,697)	\$ 32,049	\$ (42,583)	\$ (361,231)
Other comprehensive loss during the period, net of tax, before reclassifications	(72,562)	(98,024)	(9,139)	(179,725)
Amount reclassified from accumulated other comprehensive income or loss into net income, net of tax	(866)	29,671	—	28,805
Amount reclassified from accumulated other comprehensive income or loss related to amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale, net of tax	(47)	—	—	(47)
Net other comprehensive loss during the period, net of tax	\$ (73,475)	\$ (68,353)	\$ (9,139)	\$ (150,967)
Balance at June 30, 2024	\$ (424,172)	\$ (36,304)	\$ (51,722)	\$ (512,198)
Balance at April 1, 2023	\$ (351,995)	\$ 32,809	\$ (48,250)	\$ (367,436)
Other comprehensive income during the period, net of tax, before reclassifications	(33,909)	(88,533)	5,344	(117,098)
Amount reclassified from accumulated other comprehensive income or loss into net income, net of tax	(1)	10,465	—	10,464
Amount reclassified from accumulated other comprehensive income or loss related to amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale, net of tax	(20)	—	—	(20)
Net other comprehensive income during the period, net of tax	\$ (33,930)	\$ (78,068)	\$ 5,344	\$ (106,654)
Balance at June 30, 2023	\$ (385,925)	\$ (45,259)	\$ (42,906)	\$ (474,090)
Balance at January 1, 2023	\$ (386,057)	\$ 7,381	\$ (48,960)	\$ (427,636)
Other comprehensive loss during the period, net of tax, before reclassifications	594	(65,854)	6,054	(59,206)
Amount reclassified from accumulated other comprehensive income or loss into net income, net of tax	(410)	13,214	—	12,804
Amount reclassified from accumulated other comprehensive income or loss related to amortization of unrealized gains on investment securities transferred to held-to-maturity from available-for-sale, net of tax	(52)	—	—	(52)
Net other comprehensive loss during the period, net of tax	\$ 132	\$ (52,640)	\$ 6,054	\$ (46,454)
Balance at June 30, 2023	\$ (385,925)	\$ (45,259)	\$ (42,906)	\$ (474,090)

(In thousands)	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) for the				
Details Regarding the Component of Accumulated Other Comprehensive Income (Loss)	Three Months Ended		Six Months Ended		Impacted Line on the Consolidated Statements of Income
	June 30,		June 30,		
	2024	2023	2024	2023	
Accumulated unrealized gains on securities					
Gains included in net income	\$ 1,204	\$ 2	\$ 1,178	\$ 562	(Losses) gains on investment securities, net
	1,204	2	1,178	562	Income before taxes
Tax effect	(319)	(1)	(312)	(152)	Income tax expense
Net of tax	\$ 885	\$ 1	\$ 866	\$ 410	Net income
Accumulated unrealized gains on derivative instruments					
Amount reclassified to interest income on loans	\$ 23,849	\$ 18,661	\$ 48,324	\$ 27,733	Interest on Loans
Amount reclassified to interest expense on deposits	\$ (3,325)	\$ (4,657)	\$ (7,982)	\$ (10,245)	Interest on deposits
Amount reclassified to interest expense on other borrowings	—	263	—	526	Interest on other borrowings
	(20,524)	(14,267)	(40,342)	(18,014)	Income before taxes
Tax effect	5,429	3,802	10,671	4,800	Income tax expense
Net of tax	\$ (15,095)	\$ (10,465)	\$ (29,671)	\$ (13,214)	Net income

Earnings per Share

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

		Three Months Ended		Six Months Ended	
		June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(Dollars in thousands, except per share data)					
Net income		\$ 152,388	\$ 154,750	\$ 339,682	\$ 334,948
Less: Preferred stock dividends		6,991	6,991	13,982	13,982
Net income applicable to common shares	(A)	\$ 145,397	\$ 147,759	\$ 325,700	\$ 320,966
Weighted average common shares outstanding	(B)	61,839	61,192	61,660	61,072
Effect of dilutive potential common shares					
Common stock equivalents		926	902	901	933
Weighted average common shares and effect of dilutive potential common shares	(C)	62,765	62,094	62,561	62,005
Net income per common share:					
Basic	(A/B)	\$ 2.35	\$ 2.41	\$ 5.28	\$ 5.26
Diluted	(A/C)	\$ 2.32	\$ 2.38	\$ 5.21	\$ 5.18

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

At the January 2024 meeting of the board of directors of the Company (the “Board of Directors”), a quarterly cash dividend of \$0.45 per share (\$1.80 on an annualized basis) was declared. It was paid on February 22, 2024 to shareholders of record as of February 8, 2024. At the April 2024 meeting of the Board of Directors, a quarterly cash dividend of \$0.45 per share (\$1.80 on an annualized basis) was declared. It was paid on May 23, 2024 to shareholders of record as of May 9, 2024.

(18) Subsequent Events

On August 1, 2024, the Company completed its previously announced acquisition of Macatawa Bank Corporation (“Macatawa”), the parent company of Macatawa Bank. In conjunction with the completed acquisition, the Company issued approximately 4.7 million shares of common stock. Macatawa operates 26 full-service branches located throughout communities in Kent, Ottawa and northern Allegan counties in the state of Michigan. Macatawa offers a full range of banking, retail and commercial lending, wealth management and ecommerce services to individuals, businesses and governmental entities. As of June 30, 2024, Macatawa had approximately \$2.7 billion in assets, \$2.3 billion in deposits and \$1.3 billion in loans.

ITEM 2

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

The following discussion and analysis of the financial condition of Wintrust Financial Corporation and its subsidiaries (collectively, "Wintrust" or the "Company") as of June 30, 2024 compared with December 31, 2023 and June 30, 2023, and the results of operations for the three and six month periods ended June 30, 2024 and June 30, 2023, should be read in conjunction with the unaudited consolidated financial statements and notes contained in this report and the risk factors discussed under Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 ("2023 Form 10-K") and in Part II, Item 1A, of this Form 10-Q. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management's current expectations. See the last section of this discussion for further information on forward-looking statements.

Introduction

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

Overview

Second Quarter Highlights

The Company recorded net income of \$152.4 million for the second quarter of 2024 compared to \$154.8 million in the second quarter of 2023. The results for the second quarter of 2024 demonstrate increased net interest income primarily due to substantial growth in earning assets as well as the Company's ability to navigate industry disruptions during the period due to the Company's strong deposit franchise and balanced business model. This was partially offset by increased provision for credit losses due to loan growth across a majority of segments coupled with losses experienced in the Commercial, Commercial Real Estate and Premium Finance Receivables portfolios. Comprehensive income includes 1) net income as presented on the Company's Consolidated Statements of Income and 2) other comprehensive income or loss from unrealized gains and losses on the Company's available-for-sale investment securities portfolios and derivative contracts designated as cash flow hedges as well as foreign currency translation adjustments. Comprehensive income totaled \$125.3 million for the second quarter of 2024 compared to \$48.1 million for the second quarter of 2023.

The Company increased its loan portfolio from \$41.0 billion at June 30, 2023 and \$42.1 billion at December 31, 2023 to \$44.7 billion at June 30, 2024. The increase in the current period compared to the prior periods was primarily a result of organic growth in several portfolios, including the commercial, commercial real estate, residential real estate loans held for investment portfolios, and property and casualty insurance premium finance receivable portfolios. For more information regarding changes in the Company's loan portfolio, see Financial Condition – Interest Earning Assets and Note (6) "Loans" of the Consolidated Financial Statements in Item 1 of this report.

The Company recorded net interest income of \$470.6 million in the second quarter of 2024 compared to \$447.5 million in the second quarter of 2023. This increase in net interest income recorded in the second quarter of 2024 compared to the second quarter of 2023 resulted primarily from growth in earning assets, specifically a \$3.7 billion increase in average loans. Net interest margin was 3.50% (3.52% on a fully taxable-equivalent basis, non-GAAP) in the second quarter of 2024 compared to 3.64% (3.66% on a fully taxable-equivalent basis, non-GAAP) in the second quarter of 2023. The decrease is primarily due to higher rates on interest-bearing liabilities, most notably interest-bearing deposits (see "Net Interest Income" for further detail).

Non-interest income totaled \$121.1 million in the second quarter of 2024 compared to \$113.0 million in the second quarter of 2023. The increase is primarily due to \$4.6 million of gains recognized on the sale of premium finance receivables in the second quarter of 2024 and an increase in service charges on deposits of \$1.9 million partially off set by decreased mortgage banking revenue of \$857,000 in the second quarter of 2024 compared to the second quarter of 2023 (see "Non-Interest Income" for further detail).

Non-interest expense totaled \$340.4 million in the second quarter of 2024, an increase of \$19.7 million, or 6%, compared to the second quarter of 2023. This increase compared to the second quarter of 2023 was primarily attributable to increased salaries and employee benefits of \$13.6 million and increased software and equipment expenses of \$3.0 million. (see "Non-Interest Expense" for further detail).

Management considers the maintenance of adequate liquidity to be important to the management of risk. Accordingly, during the second quarter of 2024, 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. See “Deposits” and “Other Funding Sources” for additional information regarding liquidity sources.

RESULTS OF OPERATIONS

Earnings Summary

The Company’s key operating measures and growth rates for the three and six months ended June 30, 2024, as compared to the same period last year, are shown below:

	Three Months Ended		
	June 30, 2024	June 30, 2023	Percentage (%) or Basis Point (bp) Change
(Dollars in thousands, except per share data)			
Net income	\$ 152,388	\$ 154,750	(2) %
Pre-tax income, excluding provision for credit losses (non-GAAP) ⁽¹⁾	251,404	239,944	5
Net income per common share—Diluted	2.32	2.38	(3)
Net revenue ⁽²⁾	591,757	560,567	6
Net interest income	470,610	447,537	5
Net interest margin	3.50 %	3.64 %	(14)bps
Net interest margin - fully taxable-equivalent (non-GAAP) ⁽¹⁾	3.52	3.66	(14)
Net overhead ratio ⁽³⁾	1.53	1.58	(5)
Return on average assets	1.07	1.18	(11)
Return on average common equity	11.61	12.79	(118)
Return on average tangible common equity (non-GAAP) ⁽¹⁾	13.49	15.12	(163)
	Six months ended		
	June 30, 2024	June 30, 2023	Percentage (%) or Basis Point (bp) Change
(Dollars in thousands, except per share data)			
Net income	\$ 339,682	\$ 334,948	1 %
Pre-tax income, excluding provision for credit losses (non-GAAP) ⁽¹⁾	523,033	506,539	3
Net income per common share—Diluted	5.21	5.18	1
Net revenue ⁽²⁾	1,196,531	1,126,331	6
Net interest income	934,804	905,532	3
Net interest margin	3.53 %	3.72 %	(19) bps
Net interest margin - fully taxable-equivalent (non-GAAP) ⁽¹⁾	3.56	3.74	(18)
Net overhead ratio ⁽³⁾	1.46	1.54	(8)
Return on average assets	1.21	1.29	(8)
Return on average common equity	13.01	14.20	(119)
Return on average tangible common equity (non-GAAP) ⁽¹⁾	15.12	16.79	(167)
At end of period			
Total assets	\$ 59,781,516	\$ 54,286,176	10 %
Total loans, excluding loans held-for-sale	44,675,531	41,023,408	9
Total loans, including loans held-for-sale	45,087,382	41,362,136	9
Total deposits	48,049,026	44,038,707	9
Total shareholders' equity	5,536,628	5,041,912	10
Book value per common share ⁽¹⁾	\$ 82.97	\$ 75.65	10
Tangible common book value per share ⁽¹⁾	72.01	64.50	12
Market price per common share	98.56	72.62	36
Allowance for loan and unfunded lending-related commitment losses to total loans	0.98 %	0.94 %	4 bps

(1) See following section titled “Supplemental Non-GAAP Financial Measures/Ratios” for additional information on this performance measure/ratio.

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

(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.

Certain returns, yields, performance ratios, and quarterly growth rates are “annualized” throughout this report to represent an annual time period. This is done for analytical purposes to better discern for decision-making purposes underlying performance trends when compared to full-year or year-over-year amounts. For example, balance sheet growth rates are most often expressed in terms of an annual rate. As such, 5% growth during a quarter would represent an annualized growth rate of 20%.

SUPPLEMENTAL NON-GAAP FINANCIAL MEASURES/RATIOS

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

Management reviews yields on certain asset categories and the net interest margin of the Company and its banking subsidiaries on a fully taxable-equivalent (“FTE”) basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis using tax rates effective as of the end of the period. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a fully taxable-equivalent basis is also used in the calculation of the Company’s efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce one dollar of revenue. Securities gains or losses are excluded from this calculation to better match revenue from daily operations to operational expenses. Management considers the tangible common equity ratio and tangible book value per common share as useful measurements of the Company’s equity. The Company references the return on average tangible common equity as a measurement of profitability. Management considers pre-tax income, excluding provision for credit losses as a useful measurement of the Company’s core net income.

A reconciliation of certain non-GAAP performance measures and ratios used by the Company to evaluate and measure the Company’s performance to the most directly comparable GAAP financial measures is shown below:

	Three Months Ended			Six Months Ended	
	June 30, 2024	March 31, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(Dollars and shares in thousands)					
Reconciliation of Non-GAAP Net Interest Margin and Efficiency Ratio:					
(A) Interest Income (GAAP)	\$ 849,979	\$ 805,513	\$ 697,176	\$ 1,655,492	\$ 1,336,866
Taxable-equivalent adjustment:					
- Loans	2,305	2,246	1,882	4,551	3,754
- Liquidity management assets	567	550	551	1,117	1,102
- Other earning assets	3	5	1	8	5
(B) Interest Income (non-GAAP)	\$ 852,854	\$ 808,314	\$ 699,610	\$ 1,661,168	\$ 1,341,727
(C) Interest Expense (GAAP)	379,369	341,319	249,639	720,688	431,334
(D) Net Interest Income (GAAP) (A minus C)	\$ 470,610	\$ 464,194	\$ 447,537	\$ 934,804	\$ 905,532
(E) Net Interest Income, fully taxable-equivalent (non-GAAP) (B minus C)	\$ 473,485	\$ 466,995	\$ 449,971	\$ 940,480	\$ 910,393
Net interest margin (GAAP)	3.50 %	3.57 %	3.64 %	3.53 %	3.72 %
Net interest margin, fully taxable-equivalent (non-GAAP)	3.52	3.59	3.66	3.56	3.74
(F) Non-interest income	\$ 121,147	\$ 140,580	\$ 113,030	\$ 261,727	\$ 220,799
(G) (Losses) gains on investment securities, net	(4,282)	1,326	0	(2,956)	1,398
(H) Non-interest expense	340,353	333,145	320,623	673,498	619,792
Efficiency ratio (H/(D+F-G))	57.10 %	55.21 %	57.20 %	56.15 %	55.10 %
Efficiency ratio (non-GAAP) (H/(E+F-G))	56.83	54.95	56.95	55.88	54.86
Reconciliation of Non-GAAP Tangible Common Equity Ratio:					
Total shareholders' equity (GAAP)	\$ 5,536,628	\$ 5,436,400	\$ 5,041,912		
Less: Non-convertible preferred stock (GAAP)	(412,500)	(412,500)	(412,500)		
Less: Acquisition-related intangible assets (GAAP)	(676,562)	(677,911)	(682,327)		
(I) Total tangible common shareholders' equity (non-GAAP)	\$ 4,447,566	\$ 4,345,989	\$ 3,947,085		
(J) Total assets (GAAP)	\$ 59,781,516	\$ 57,576,933	\$ 54,286,176		
Less: Acquisition-related intangible assets (GAAP)	(676,562)	(677,911)	(682,327)		
(K) Total tangible assets (non-GAAP)	\$ 59,104,954	\$ 56,899,022	\$ 53,603,849		
Common equity to assets ratio (GAAP) (L/J)	8.6 %	8.7 %	8.5 %		
Tangible common equity ratio (non-GAAP) (I/K)	7.5	7.6	7.4		
Reconciliation of Non-GAAP Tangible Book Value per Common Share:					
Total shareholders' equity	\$ 5,536,628	\$ 5,436,400	\$ 5,041,912		
Less: Preferred stock	(412,500)	(412,500)	(412,500)		
(L) Total common equity	\$ 5,124,128	\$ 5,023,900	\$ 4,629,412		
(M) Actual common shares outstanding	61,760	61,737	61,198		
Book value per common share (L/M)	\$ 82.97	\$ 81.38	\$ 75.65		
Tangible book value per common share (non-GAAP) (I/M)	72.01	70.40	64.50		
Reconciliation of Non-GAAP Return on Average Tangible Common Equity:					
(N) Net income applicable to common shares	\$ 145,397	\$ 180,303	\$ 147,759	\$ 325,700	\$ 320,966
Add: Acquisition-related intangible asset amortization	1,122	1,158	1,499	2,280	2,734
Less: Tax effect of acquisition-related intangible asset amortization	(311)	(291)	(402)	(602)	(722)
After-tax acquisition-related intangible asset amortization	\$ 811	\$ 867	\$ 1,097	\$ 1,678	\$ 2,012
(O) Tangible net income applicable to common shares (non-GAAP)	\$ 146,208	\$ 181,170	\$ 148,856	\$ 327,378	\$ 322,978
Total average shareholders' equity	\$ 5,450,173	\$ 5,440,457	\$ 5,044,718	\$ 5,445,315	\$ 4,970,407
Less: Average preferred stock	(412,500)	(412,500)	(412,500)	(412,500)	(412,500)
(P) Total average common shareholders' equity	\$ 5,037,673	\$ 5,027,957	\$ 4,632,218	\$ 5,032,815	\$ 4,557,907
Less: Average acquisition-related intangible assets	(677,207)	(678,731)	(682,561)	(677,969)	(678,924)
(Q) Total average tangible common shareholders' equity (non-GAAP)	\$ 4,360,466	\$ 4,349,226	\$ 3,949,657	\$ 4,354,846	\$ 3,878,983
Return on average common equity, annualized (N/P)	11.61 %	14.42 %	12.79 %	13.01 %	14.20 %
Return on average tangible common equity, annualized (non-GAAP) (O/Q)	13.49	16.75	15.12	15.12	16.79
Reconciliation of Non-GAAP Pre-Tax, Pre-Provision Income:					
Income before taxes	\$ 211,343	\$ 249,956	\$ 211,430	\$ 461,299	\$ 454,980
Add: Provision for credit losses	40,061	21,673	28,514	61,734	51,559
Pre-tax income, excluding provision for credit losses (non-GAAP)	\$ 251,404	\$ 271,629	\$ 239,944	\$ 523,033	\$ 506,539

Critical Accounting Estimates

The Company's Consolidated Financial Statements are prepared in accordance with GAAP in the United States, prevailing practices of the banking industry, and the application of accounting policies of which are described in Note (1) "Summary of Significant Accounting Policies" to the Consolidated Financial Statements in Item 8 of the Company's 2023 Form 10-K. These policies require numerous estimates and strategic or economic assumptions, which may prove inaccurate or subject to

variations. Changes in underlying factors, assumptions or estimates could have a material impact on the Company's future financial condition and results of operations. At June 30, 2024, management views critical accounting estimates to include the determination of the allowance for credit losses, estimations of fair value, the valuations required for impairment testing of goodwill, the valuation and accounting for derivative instruments and income taxes as the accounting areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available. These estimates were reviewed with the Audit Committee of the Board of Directors.

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

The allowance for credit losses represents management's estimate of expected credit losses over the life of a financial asset carried at amortized cost. Determining the amount of the allowance for credit losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the fair value of the underlying collateral and amount and timing of expected future cash flows on individually assessed financial assets, estimated credit losses on pools of loans with similar risk characteristics, and consideration of reasonable and supportable forecasts of macroeconomic conditions, all of which are susceptible to significant change. At June 30, 2024, the loan and held-to-maturity debt securities portfolios represent 81% of the total assets on the Company's consolidated balance sheet. The Company also maintains an allowance for lending-related commitments, specifically unfunded loan commitments and letters of credit, which relates to certain amounts the Company is committed to lend (not unconditionally cancelable) but for which funds have not yet been disbursed.

Key macroeconomic variable data points that are significant inputs into our credit loss models for the commercial and commercial real estate portfolios are the Baa corporate credit spread as well as CREPI specifically related to the commercial real estate portfolio. Holding all other inputs constant, the table below shows the impact of changes in these key macroeconomic variable data points on the estimate of allowance for credit losses.

	Impact to estimated allowance for credit losses from an increased or higher input value
Baa Credit Spread	Increases
CRE Price Index	Decreases

Holding all other inputs constant, the following table provides a sensitivity analysis for the commercial and commercial real estate portfolios based on a 20 basis point change in Baa credit spreads from the assumption utilized in the estimate of that portfolio's allowance for credit losses at June 30, 2024:

Baa Credit Spread		
	Narrows	Widens
Commercial	Decreases estimate by 10%-15%	Increases estimate by 10%-15%
Commercial Real Estate:		
Construction	Decreases estimate by 15%-20%	Increases estimate by 15%-20%
Non-Construction	Decreases estimate by 4%-5%	Increases estimate by 4%-5%

Holding all other inputs constant, the following table provides a sensitivity analysis for the commercial real estate construction and non-construction portfolios based on a 10% change in CREPI from the assumption utilized in the estimate of that portfolio's allowance for credit losses at June 30, 2024:

CRE Price Index		
	Increases	Decreases
Commercial Real Estate:		
Construction	Decreases estimate by 45%-50%	Increases estimate by 95%-100%
Non-Construction	Decreases estimate by 25%-30%	Increases estimate by 55%-60%

See Note (7) "Allowance for Credit Losses" to the Consolidated Financial Statements in Item 1 of this report and the section titled "Credit Quality" in Item 2 of this report for a description of the methodology used to determine the allowance for credit losses.

For a more detailed discussion on these critical accounting estimates, see “Summary of Critical Accounting Estimates” beginning on page 57 of the 2023 Form 10-K.

Net Income

Net income for the quarter ended June 30, 2024 totaled \$152.4 million, a decrease of \$2.4 million, or 2%, compared to the quarter ended June 30, 2023. On a per share basis, net income for the second quarter of 2024 totaled \$2.32 per diluted common share compared to \$2.38 for the second quarter of 2023.

The decrease in net income for the second quarter of 2024 as compared to the same period in the prior year is primarily attributable to increased non-interest expense, partially offset by increased net interest income and non-interest income. See “Net Interest Income”, “Non-interest Income”, “Non-interest Expense” and “Credit Quality” for further detail.

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.

Quarter Ended June 30, 2024 compared to the Quarters Ended March 31, 2024 and June 30, 2023

The following table presents a summary of the Company's average balances, net interest income and related net interest margins, including a calculation on a fully taxable-equivalent basis, for the second quarter of 2024 as compared to the first quarter of 2024 (sequential quarters) and second quarter of 2023 (linked quarters):

(Dollars in thousands)	Average Balance for three months ended,			Interest for three months ended,			Yield/Rate for three months ended,		
	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023	Jun 30, 2024	Mar 31, 2024	Jun 30, 2023
Interest-bearing deposits with banks, securities purchased under resale agreements and cash equivalents ⁽¹⁾	\$ 1,485,481	\$ 1,254,332	\$ 1,454,057	\$ 19,748	\$ 16,677	\$ 16,882	5.35 %	5.35 %	4.66 %
Investment securities ⁽²⁾	8,203,764	8,349,796	7,252,582	70,346	70,228	51,795	3.45	3.38	2.86
FHLB and FRB stock	253,614	230,648	223,813	4,974	4,478	3,544	7.89	7.81	6.35
Liquidity management assets ⁽³⁾⁽⁸⁾	\$ 9,942,859	\$ 9,834,776	\$ 8,930,452	\$ 95,068	\$ 91,383	\$ 72,221	3.85 %	3.74 %	3.24 %
Other earning assets ⁽³⁾⁽⁴⁾⁽⁸⁾	15,257	15,081	17,401	235	198	272	6.23	5.25	6.27
Mortgage loans held-for-sale	347,236	290,275	307,683	5,434	4,146	4,178	6.29	5.74	5.45
Loans, net of unearned income ⁽³⁾⁽⁵⁾⁽⁸⁾	43,819,354	42,129,893	40,106,393	752,117	712,587	622,939	6.90	6.80	6.23
Total earning assets ⁽⁸⁾	\$ 54,124,706	\$ 52,270,025	\$ 49,361,929	\$ 852,854	\$ 808,314	\$ 699,610	6.34 %	6.22 %	5.68 %
Allowance for loan and investment security losses	(360,504)	(361,734)	(302,627)						
Cash and due from banks	434,916	450,267	481,510						
Other assets	3,294,066	3,244,137	3,061,141						
Total assets	\$ 57,493,184	\$ 55,602,695	\$ 52,601,953						
NOW and interest-bearing demand deposits	\$ 4,985,306	\$ 5,680,265	\$ 5,540,597	\$ 32,719	\$ 34,896	\$ 29,178	2.64 %	2.47 %	2.11 %
Wealth management deposits	1,531,865	1,510,203	1,545,626	10,294	10,461	9,097	2.70	2.79	2.36
Money market accounts	15,272,126	14,474,492	13,735,924	155,100	137,984	106,630	4.08	3.83	3.11
Savings accounts	5,878,844	5,792,118	5,206,609	41,063	39,071	25,603	2.81	2.71	1.97
Time deposits	8,546,172	7,148,456	5,603,024	96,527	77,120	42,987	4.54	4.34	3.08
Interest-bearing deposits	\$ 36,214,313	\$ 34,605,534	\$ 31,631,780	\$ 335,703	\$ 299,532	\$ 213,495	3.73 %	3.48 %	2.71 %
Federal Home Loan Bank advances	3,096,920	2,728,849	2,227,106	24,797	22,048	17,399	3.22	3.25	3.13
Other borrowings	587,262	627,711	625,757	8,700	9,248	8,485	5.96	5.92	5.44
Subordinated notes	410,331	437,893	437,545	5,185	5,487	5,523	5.08	5.04	5.06
Junior subordinated debentures	253,566	253,566	253,566	4,984	5,004	4,737	7.91	7.94	7.49
Total interest-bearing liabilities	\$ 40,562,392	\$ 38,653,553	\$ 35,175,754	\$ 379,369	\$ 341,319	\$ 249,639	3.76 %	3.55 %	2.85 %
Non-interest-bearing deposits	9,879,134	9,972,646	10,908,022						
Other liabilities	1,601,485	1,536,039	1,473,459						
Equity	5,450,173	5,440,457	5,044,718						
Total liabilities and shareholders' equity	\$ 57,493,184	\$ 55,602,695	\$ 52,601,953						
Interest rate spread ⁽⁶⁾⁽⁸⁾							2.58 %	2.67 %	2.83 %
Less: Fully taxable-equivalent adjustment				(2,875)	(2,801)	(2,434)	(0.02)	(0.02)	(0.02)
Net free funds/contribution ⁽⁷⁾	\$ 13,562,314	\$ 13,616,472	\$ 14,186,175				0.94	0.92	0.83
Net interest income/margin (GAAP) ⁽⁸⁾				\$ 470,610	\$ 464,194	\$ 447,537	3.50 %	3.57 %	3.64 %
Fully taxable-equivalent adjustment				2,875	2,801	2,434	0.02	0.02	0.02
Net interest income/margin, fully taxable-equivalent (non-GAAP) ⁽⁸⁾				\$ 473,485	\$ 466,995	\$ 449,971	3.52 %	3.59 %	3.66 %

- (1) Includes interest-bearing deposits with banks and securities purchased under resale agreements with original maturities of greater than three months. Cash equivalents include federal funds sold and securities purchased under resale agreements with original maturities of three months or less.
- (2) Investment securities includes investment securities classified as available-for-sale and held-to-maturity, and equity securities with readily determinable fair values. Equity securities without readily determinable fair values are included within other assets.
- (3) Interest income on tax-advantaged loans, trading securities and investment securities reflects a tax-equivalent adjustment based on the marginal federal corporate tax rate in effect as of the applicable period. The total adjustments for the three months ended June 30, 2024, March 31, 2024 and June 30, 2023 were \$2.9 million, \$2.8 million and \$2.4 million, respectively.
- (4) Other earning assets include brokerage customer receivables and trading account securities.
- (5) Loans, net of unearned income, include nonaccrual loans.
- (6) Interest rate spread is the difference between the yield earned on earning assets and the rate paid on interest-bearing liabilities.
- (7) Net free funds are 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.
- (8) See "Supplemental Non-GAAP Financial Measures/Ratios" for additional information on this performance measure/ratio.

For the second quarter of 2024, net interest income totaled \$470.6 million, an increase of \$6.4 million as compared to the first quarter of 2024, and an increase of \$23.1 million as compared to the second quarter of 2023. Net interest margin was 3.50% (3.52% on a FTE basis, non-GAAP) during the second quarter of 2024 compared to 3.57% (3.59% on a FTE basis, non-GAAP) during the first quarter of 2024, and 3.64% (3.66% on a FTE basis, non-GAAP) during the second quarter of 2023.

The following table presents a summary of the Company's net interest income and related net interest margin, including a calculation on a fully taxable-equivalent basis, for the six months ended June 30, 2024 compared to the six months ended June 30, 2023:

	Average Balance for six months ended,		Interest for six months ended,		Yield/Rate for six months ended,	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(Dollars in thousands)						
Interest-bearing deposits with banks, securities purchased under resale agreements and cash equivalents ⁽¹⁾	\$ 1,369,906	\$ 1,345,506	\$ 36,425	\$ 30,421	5.35 %	4.56 %
Investment securities ⁽²⁾	8,276,780	7,602,707	140,574	112,288	3.42	2.98
FHLB and FRB stock	242,131	228,687	9,452	7,224	7.85	6.37
Liquidity management assets ⁽³⁾⁽⁸⁾	\$ 9,888,817	\$ 9,176,900	\$ 186,451	\$ 149,933	3.79 %	3.29 %
Other earning assets ⁽³⁾⁽⁴⁾⁽⁸⁾	15,169	17,920	433	585	5.74	6.58
Mortgage loans held-for-sale	318,756	289,426	9,580	7,706	6.04	5.37
Loans, net of unearned income ⁽³⁾⁽⁵⁾⁽⁸⁾	42,974,623	39,602,672	1,464,704	1,183,503	6.85	6.03
Total earning assets ⁽⁸⁾	\$ 53,197,365	\$ 49,086,918	\$ 1,661,168	\$ 1,341,727	6.28 %	5.51 %
Allowance for loan and investment security losses	(361,119)	(292,721)				
Cash and due from banks	442,591	484,964				
Other assets	3,269,102	3,060,929				
Total assets	\$ 56,547,939	\$ 52,340,090				
NOW and interest-bearing demand deposits	\$ 5,332,786	\$ 5,406,911	\$ 67,615	\$ 47,949	2.55 %	1.79 %
Wealth management deposits	1,521,034	1,854,637	20,755	21,355	2.74	2.32
Money market accounts	14,873,309	13,138,018	293,084	174,907	3.96	2.68
Savings accounts	5,835,481	5,019,505	80,134	41,419	2.76	1.66
Time deposits	7,847,314	5,323,882	173,647	72,667	4.45	2.75
Interest-bearing deposits	\$ 35,409,924	\$ 30,742,953	\$ 635,235	\$ 358,297	3.61 %	2.35 %
Federal Home Loan Bank advances	2,912,884	2,350,309	46,845	36,534	3.23	3.13
Other borrowings	607,487	614,410	17,948	16,338	5.94	5.36
Subordinated notes	424,112	437,484	10,672	11,011	5.06	5.08
Junior subordinated debentures	253,566	253,566	9,988	9,154	7.92	7.28
Total interest-bearing liabilities	\$ 39,607,973	\$ 34,398,722	\$ 720,688	\$ 431,334	3.66 %	2.53 %
Non-interest-bearing deposits	9,925,890	11,536,336				
Other liabilities	1,568,761	1,434,625				
Equity	5,445,315	4,970,407				
Total liabilities and shareholders' equity	\$ 56,547,939	\$ 52,340,090				
Interest rate spread ⁽⁶⁾⁽⁸⁾			(5,676)	(4,861)	2.62 %	2.98 %
Less: Fully taxable-equivalent adjustment					(0.03)	(0.02)
Net free funds/contribution ⁽⁷⁾	\$ 13,589,392	\$ 14,688,196			0.94	0.76
Net interest income/margin (GAAP) ⁽⁸⁾			\$ 934,804	\$ 905,532	3.53 %	3.72 %
Fully taxable-equivalent adjustment			5,676	4,861	0.03	0.02
Net interest income/margin, fully taxable-equivalent (non-GAAP) ⁽⁸⁾			\$ 940,480	\$ 910,393	3.56 %	3.74 %

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

(2) Investment securities includes investment securities classified as available-for-sale and held-to-maturity, and equity securities with readily determinable fair values. Equity securities without readily determinable fair values are included within other assets.

(3) Interest income on tax-advantaged loans, trading securities and investment securities reflects a taxable-equivalent adjustment based on a marginal federal corporate tax rate in effect as of the applicable period. The total adjustments for the six months ended June 30, 2024 and June 30, 2023 were \$5.7 million and \$4.9 million, respectively.

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

(5) Loans, net of unearned income, include nonaccrual loans.

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

(7) Net free funds are 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.

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

Analysis of Changes in Net Interest Income on a FTE basis (non-GAAP)

The following table presents an analysis of the changes in the Company's net interest income on a FTE basis (non-GAAP) comparing the three month ended June 30, 2024 to each of the three month periods ended March 31, 2024 and June 30, 2023 and six month periods ended June 30, 2024 and 2023. The reconciliations set forth the changes in the net interest income on a FTE basis (non-GAAP) as a result of changes in volumes, changes in rates and differing number of days in each period:

(In thousands)	Second Quarter of 2024 Compared to First Quarter of 2024	Second Quarter of 2024 Compared to Second Quarter of 2023	First Six Months of 2024 Compared to First Six Months of 2023
Net interest income, FTE basis (non-GAAP) ⁽¹⁾ for comparative period	\$ 466,995	\$ 449,971	\$ 910,393
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	11,535	27,536	44,321
Change due to interest rate fluctuations (rate)	(5,045)	(4,022)	(19,236)
Change due to number of days in each period	—	—	5,002
Less: FTE adjustment	(2,875)	(2,875)	(5,676)
Net interest income (GAAP) ⁽¹⁾ for the period ended June 30, 2024	\$ 470,610	\$ 470,610	\$ 934,804
FTE adjustment	2,875	2,875	5,676
Net interest income, FTE basis (non-GAAP) ⁽¹⁾	\$ 473,485	\$ 473,485	\$ 940,480

(1) See "Supplemental Non-GAAP Financial Measures/Ratios" for additional information on this performance measure/ratio.

Deposit beta

Deposit betas are calculated as the change in the Company's deposit cost divided by the change in the upper limit of the federal funds target range established by the Federal Open Market Committee. Total cycle-to-date (December 31, 2021 to June 30, 2024) deposit beta was 53% as of June 30, 2024 as compared to 38% as of June 30, 2023. Deposit beta increase was driven by competitive deposit pricing to fund quality loan growth.

Non-interest Income

The following table presents non-interest income by category for the periods presented:

(Dollars in thousands)	Three Months Ended		\$ Change	% Change
	June 30, 2024	June 30, 2023		
Brokerage	\$ 5,588	\$ 4,404	\$ 1,184	27 %
Trust and asset management	29,825	29,454	371	1
Total wealth management ⁽¹⁾	35,413	33,858	1,555	5
Mortgage banking	29,124	29,981	(857)	(3)
Service charges on deposit accounts	15,546	13,608	1,938	14
(Losses) gains on investment securities, net	(4,282)	0	(4,282)	NM
Fees from covered call options	2,056	2,578	(522)	(20)
Trading gains, net	70	106	(36)	(34)
Operating lease income, net	13,938	12,227	1,711	14
Other:				
Interest rate swap fees	3,392	2,711	681	25
BOLI	1,351	1,322	29	2
Administrative services	1,322	1,319	3	0
Foreign currency remeasurement (losses) gains	(145)	543	(688)	NM
Changes in fair value on EBOs and loans held-for-investment	604	(242)	846	NM
Early pay-offs of capital leases	393	201	192	96
Miscellaneous	22,365	14,818	7,547	51
Total Other	29,282	20,672	8,610	42
Total Non-interest Income	\$ 121,147	\$ 113,030	\$ 8,117	7 %

(1) 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.

NM—Not Meaningful.

(Dollars in thousands)	Six Months Ended		\$ Change	% Change
	June 30, 2024	June 30, 2023		
Brokerage	\$ 11,144	\$ 8,937	\$ 2,207	25 %
Trust and asset management	59,084	54,866	4,218	8
Total wealth management ⁽¹⁾	70,228	63,803	6,425	10
Mortgage banking	56,787	48,245	8,542	18
Service charges on deposit accounts	30,357	26,511	3,846	15
(Losses) gains on investment securities, net	(2,956)	1,398	(4,354)	NM
Fees from covered call options	6,903	12,969	(6,066)	(47)
Trading gains, net	747	919	(172)	(19)
Operating lease income, net	28,048	25,273	2,775	11
Other:				
Interest rate swap fees	6,220	5,317	903	17
BOLI	3,002	2,673	329	12
Administrative services	2,539	2,934	(395)	(13)
Foreign currency remeasurement (losses) gains	(1,316)	355	(1,671)	NM
Changes in fair value on EBOs and loans held-for-investment	165	303	(138)	(46)
Early pay-offs of capital leases	823	566	257	45
Miscellaneous	60,180	29,533	30,647	NM
Total Other	71,613	41,681	29,932	72
Total Non-interest Income	\$ 261,727	\$ 220,799	\$ 40,928	19 %

(1) 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.

NM—Not Meaningful.

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

Wealth management revenue increased by \$1.6 million and \$6.4 million in the three and six months ended June 30, 2024 as compared to the same periods of 2023, respectively. For the three months ended June 30, 2024, the increase is primarily due to increased brokerage income as compared to the same period in 2023. On a year-to-date basis, the increased income is primarily due to increased asset management fees as a result of higher assets under management when compared to same period in the prior year.

Mortgage banking revenue decreased slightly for the three months ended June 30, 2024 as compared to the same period in 2023 due to lower net revenue related to MSR activity and valuation adjustments, partially offset by increased production revenue. On a year-to-date basis, mortgage banking revenue increased for the six months ended June 30, 2024 as compared to the same period in 2023 as a result of higher net revenue related to MSR activity and higher production revenue from increased mortgage production. 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 for sale totaled \$722.2 million in the second quarter of 2024 as compared to \$578.0 million in the second quarter of 2023. On a year-to-date basis, mortgage loans originated for sale totaled \$1.2 billion for the six months ended June 30, 2024 as compared to \$1.0 billion for the six months ended June 30, 2023. The increase in originations from the comparative three and six month periods was driven by growth in both purchase and refinance originations as housing inventories have improved and interest rates pulled back from peak levels reached in 2023. The percentage of origination volume from refinancing activities was 17% and 20% for the three and six months ended June 30, 2024, as compared to 16% and 18%, for the same periods in 2023, respectively.

The Company records MSRs at fair value on a recurring basis. For the three months ended June 30, 2024, the fair value of the MSRs portfolio increased as retained servicing rights led to capitalization of \$8.2 million and a favorable fair value adjustment of \$877,000 was recorded, partially offset by a reduction in value of \$5.5 million due to payoffs, paydowns and repurchases of the existing portfolio. On a year-to-date basis, the fair value of MSRs increased due to a favorable fair value adjustment of \$8.5 million as well as retained servicing rights led to capitalization of \$13.6 million, partially offset by a reduction in value of \$9.9 million due to payoffs, paydowns and repurchases of the existing portfolio. See Note (9) "Mortgage Servicing Rights

(“MSRs”)” to the Consolidated Financial Statements in Item 1 of this report for a summary of the changes in the carrying value of MSRs. Mortgage banking revenue is also impacted by changes in the fair value of derivative contracts held to economically hedge a portion of the fair value adjustments related to the Company’s MSRs portfolio. The change in fair value of the derivative contracts held as an economic hedge was an unfavorable \$772,000 and \$3.3 million for the three and six months ended June 30, 2024, respectively.

Service charges on deposits increased for the three and six months ended June 30, 2024 as compared to the same periods in 2023 primarily as a result of increased account analysis services fees. 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.

The Company recognized net losses on investment securities for the three and six months ended June 30, 2024 of \$4.3 million and \$3.0 million, respectively. There were no net losses for the three month period ended June 30, 2023. However, there were \$1.4 million of net gains for the six month period ended June 30, 2023. The net losses for the three and six months ended June 30, 2024 were primarily due to losses on the Company’s equity investment securities recorded in the second quarter of 2024. See Note (5) “Investment Securities” to the Consolidated Financial Statements in Item 1 of this report for more information on net gains and losses on investment securities.

Fees from covered call options for the three and six months ended June 30, 2024 decreased \$522,000 and \$6.1 million, respectively, when compared to the same periods in the prior year, respectively. The decreased income was primarily because the Company sold less options than the prior year for both comparative periods. 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. These option transactions are designed to increase the total return associated with holding certain investment securities and do not qualify as hedges pursuant to accounting guidance. There were no outstanding call option contracts at June 30, 2024 and 2023.

Miscellaneous non-interest income includes loan servicing fees, income from other investments, and other fees. This category of income increased \$7.5 million and \$30.6 million for the three and six months ended June 30, 2024 compared to the same periods in 2023, respectively. For the three months ended June 30, 2024, miscellaneous income increased compared to the same period in 2023 primarily due to a \$4.6 million gain recognized in the second quarter of 2024 on the sale of premium finance receivables. The increased income on a year-to-date basis was primarily due to a \$20.0 million gain recognized in the first quarter of 2024 related to the sale of the Company’s RBA division within its wealth management business.

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

(Dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Originations:				
Retail originations	\$ 544,394	\$ 406,888	\$ 875,898	\$ 663,025
Veterans First originations	177,792	171,158	321,901	287,362
Total originations for sale (A)	\$ 722,186	\$ 578,046	\$ 1,197,799	\$ 950,387
Originations for investment	275,331	184,795	444,577	315,975
Total originations	\$ 997,517	\$ 762,841	\$ 1,642,376	\$ 1,266,362
As percentage of originations for sale:				
Retail originations	75 %	70 %	73 %	70 %
Veterans First originations	25	30	27	30
Purchases	83 %	84 %	80 %	82 %
Refinances	17	16	20	18
Production Margin:				
Production revenue (B) ⁽¹⁾	\$ 14,990	\$ 11,846	\$ 28,425	\$ 20,467
Total originations for sale (A)	\$ 722,186	\$ 578,046	\$ 1,197,799	\$ 950,387
Add: Current period end mandatory interest rate lock commitments to fund originations for sale ⁽²⁾	222,738	196,246	222,738	196,246
Less: Prior period end mandatory interest rate lock commitments to fund originations for sale	207,775	184,168	119,624	113,303
Total mortgage production volume (C)	\$ 737,149	\$ 590,124	\$ 1,300,913	\$ 1,033,330
Production margin (B/C)	2.03 %	2.01 %	2.19 %	1.98 %
Mortgage Servicing:				
Loans serviced for others (D)	\$ 12,211,027	\$ 11,752,223		
MSRs, at fair value (E)	204,610	200,692		
Percentage of MSRs to loans serviced for others (E/D)	1.68 %	1.71 %		
Servicing income	\$ 10,586	\$ 11,034	\$ 21,084	\$ 23,086
Components of MSR:				
MSR - changes in fair value model assumptions	\$ 877	\$ 2,715	\$ 8,472	\$ (4,238)
Changes in fair value of derivative contract held as an economic hedge, net	(772)	(726)	(3,349)	220
MSR valuation adjustment, net of changes in fair value of derivative contract held as an economic hedge	\$ 105	\$ 1,989	\$ 5,123	\$ (4,018)
MSR - current period capitalization	8,223	8,720	13,602	13,827
MSR - collection of expected cash flow - paydowns	(1,504)	(1,432)	(2,948)	(3,220)
MSR - collection of expected cash flow - payoffs and repurchases	(4,030)	(3,611)	(6,972)	(5,732)
MSR activity	\$ 2,794	\$ 5,666	\$ 8,805	\$ 857
Summary of Mortgage Banking Revenue:				
Production revenue ⁽¹⁾	\$ 14,990	\$ 11,846	\$ 28,425	\$ 20,467
Servicing income	10,586	11,034	21,084	23,086
MSR activity	2,794	5,666	8,805	857
Changes in fair value on EBO loans guaranteed by U.S. government agencies	642	1,508	(1,548)	3,806
Other revenue	112	(73)	21	29
Total mortgage banking revenue	\$ 29,124	\$ 29,981	\$ 56,787	\$ 48,245
Changes in fair value on EBOs and loans held-for-investment	\$ 604	\$ (242)	\$ 165	\$ 303

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

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

Non-interest Expense

The following table presents non-interest expense by category for the periods presented:

(Dollars in thousands)	Three Months Ended		\$ Change	% Change
	June 30, 2024	June 30, 2023		
Salaries and employee benefits:				
Salaries	\$ 113,860	\$ 107,671	\$ 6,189	6 %
Commissions and incentive compensation	52,151	44,511	7,640	17
Benefits	32,530	32,741	(211)	(1)
Total salaries and employee benefits	198,541	184,923	13,618	7
Software and equipment	29,231	26,205	3,026	12
Operating lease equipment	10,834	9,816	1,018	10
Occupancy, net	19,585	19,176	409	2
Data processing	9,503	9,726	(223)	(2)
Advertising and marketing	17,436	17,794	(358)	(2)
Professional fees	9,967	8,940	1,027	11
Amortization of other acquisition-related intangible assets	1,122	1,499	(377)	(25)
FDIC insurance	10,429	9,008	1,421	16
FDIC insurance - special assessment	—	—	—	NM
OREO expense, net	(259)	118	(377)	NM
Other:				
Lending expenses, net of deferred originations costs	5,335	7,890	(2,555)	(32)
Travel and entertainment	5,340	5,401	(61)	(1)
Miscellaneous	23,289	20,127	3,162	16
Total other	33,964	33,418	546	2
Total Non-interest Expense	\$ 340,353	\$ 320,623	\$ 19,730	6 %

(Dollars in thousands)	Six Months Ended		\$ Change	% Change
	June 30, 2024	June 30, 2023		
Salaries and employee benefits:				
Salaries	\$ 226,032	\$ 216,025	\$ 10,007	5 %
Commissions and incentive compensation	103,152	84,310	18,842	22
Benefits	64,530	61,369	3,161	5
Total salaries and employee benefits	393,714	361,704	32,010	9
Software and equipment	56,962	50,902	6,060	12
Operating lease equipment	21,517	19,649	1,868	10
Occupancy, net	38,671	37,662	1,009	3
Data processing	18,795	19,135	(340)	(2)
Advertising and marketing	30,476	29,740	736	2
Professional fees	19,520	17,103	2,417	14
Amortization of other acquisition-related intangible assets	2,280	2,734	(454)	(17)
FDIC insurance	19,810	17,677	2,133	12
FDIC insurance - special assessment	5,156	—	5,156	NM
OREO expense, net	133	(89)	222	NM
Other:				
Lending expenses, net of deferred originations costs	10,413	10,989	(576)	(5)
Travel and entertainment	9,937	9,991	(54)	(1)
Miscellaneous	46,114	42,595	3,519	8
Total other	66,464	63,575	2,889	5
Total Non-interest Expense	\$ 673,498	\$ 619,792	\$ 53,706	9 %

NM - Not meaningful.

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

Salaries and employee benefits expense increased for the three and six months ended June 30, 2024 as compared to the same periods in 2023. The increase was primarily due to elevated commissions from increased mortgage production as well as higher salaries due the Company's annual merit increase. Additionally, the increase is also due to commissions related to the sale of the Company's RBA division within its wealth management business in the first quarter of 2024.

Software and equipment expense increased for the three and six months ended June 30, 2024 as compared to the same periods in 2023 as a result of higher software license fees as well as higher computer and software depreciation expense as the Company invests in enhancements to the digital customer experience, upgrades to infrastructure and enhancements to information security capabilities.

FDIC insurance expense increased for the three and six months ended June 30, 2024 compared to the same periods in 2023. On a year-to-date basis, the increase is primarily due to the Company's recognition of approximately \$5.2 million accrued in the first quarter of 2024 as a result of the FDIC special assessment on uninsured deposits in response to certain bank failures that occurred in 2023 as compared to the six months ended June 30, 2023. For the three months ended June 30, 2024, the increased expense is primarily due to deposit and asset growth as compared to the three months ended June 30, 2023.

Miscellaneous expense includes ATM expenses, correspondent bank charges, directors' fees, telephone, postage, corporate insurance, dues and subscriptions, problem loan expenses and other miscellaneous operational losses and costs.

Income Taxes

The Company recorded income tax expense of \$59.0 million in the second quarter of 2024 compared to \$56.7 million in the second quarter of 2023. The effective tax rates were 27.90% in the second quarter of 2024 compared to 26.81% in the second quarter of 2023. During the first six months of 2024, the Company recorded income tax expense of \$121.6 million compared to \$120.0 million for the first six months of 2023. The effective tax rates were 26.36% for the first six months of 2024 and 26.38% for the first six months of 2023.

The effective tax rates were partially impacted by the tax effects related to share-based compensation which fluctuate based on the Company's stock price and timing of employee stock option exercises and vesting of other shared-based awards. The Company recorded net excess tax benefits of \$4.4 million in the first six months of 2024, compared to net excess tax benefits of \$2.8 million in the first six months of 2023 related to share-based compensation, most of which was recorded in the first quarter for each year.

Operating Segment Results

The Company's operations consist of three primary segments: community banking, specialty finance and wealth management. Refer to Note (13) "Segment Information" to the Consolidated Financial Statements in Item 1 of this report for further information on the Company's primary segments. 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.

The community banking segment's net interest income for the quarter ended June 30, 2024 totaled \$358.8 million as compared to \$346.2 million for the same period in 2023, an increase of \$12.6 million, or 4%. On a year-to-date basis, net interest income for the segment increased by \$6.4 million from \$716.1 million for the six months ended June 30, 2023 to \$722.5 million for the six months ended June 30, 2024. The increase in the three and six month period was primarily attributable to increased interest and fees on loans. The community banking segment's non-interest income totaled \$71.6 million in the second quarter of 2024, an increase of \$3.5 million, or 5%, when compared to the second quarter of 2023 total of \$68.1 million. On a year-to-date basis, non-interest income totaled \$146.3 million for the six months ended June 30, 2024, an increase of \$9.4 million, or 7%, compared to \$136.9 million for the six months ended June 30, 2023. The increase in the six month period was primarily the result of increased mortgage banking revenue due to the increase in the fair value of MSRs related to the changes in fair value model assumptions. The community banking segment recorded provision for credit losses of \$36.3 million and \$56.7 million, respectively, for the three and six months ended June 30, 2023, compared to \$26.7 million and \$47.8 million, respectively, for the same periods in 2023. The increase in provision for credit losses for the three and six month period was primarily the result of loan growth coupled with losses experienced in the Commercial and Commercial Real Estate portfolios. The community banking segment's net income for the quarter ended June 30, 2024 totaled \$91.2 million, a decrease of \$11.3 million as compared to net income in the second quarter of 2023 of \$102.5 million. On a year-to-date basis, the net income of the community banking segment for the six months ended June 30, 2024 totaled \$211.3 million as compared to \$236.7 million for the six months ended June 30, 2023.

The specialty finance segment's net interest income totaled \$95.2 million for the quarter ended June 30, 2024, compared to \$85.0 million for the same period in 2023, an increase of \$10.2 million, or 12%. On a year-to-date basis, net interest income for the segment increased \$22.1 million, or 14% compared to the same period in 2023. The increase for the three and six month period was primarily due to loan growth and increased interest rates on the premium finance receivables portfolios. The specialty finance segment's non-interest income increased to \$32.3 million from \$31.7 million for the three months ended June 30, 2024 and 2023, respectively, and stood at \$59.6 million and \$57.5 million for the six months ended June 30, 2024 and 2023, respectively. Our property and casualty insurance premium finance operations, life insurance finance operations, lease financing operations and accounts receivable finance operations accounted for 45%, 35%, 2% and 18%, respectively, of the total revenues of our specialty finance business for the six month period ended June 30, 2024. The net income of the specialty finance segment for the quarter ended June 30, 2024 totaled \$53.1 million as compared to \$46.4 million for the quarter ended June 30, 2023. On a year-to-date basis, the net income of the specialty finance segment for the six months ended June 30, 2024 totaled \$95.6 million as compared to \$83.1 million for the six months ended June 30, 2023.

The wealth management segment reported net interest income of \$7.9 million for the second quarter of 2024 compared to \$7.4 million in the same quarter of 2023, an increase of \$524,000, or 7%. On a year-to-date basis, net interest income totaled \$15.7 million for the first six months of 2024, as compared to \$16.4 million for the first six months of 2023. Net interest income for this segment is primarily comprised of an allocation of the 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 \$1.5 billion and \$1.9 billion in the first six months of 2024 and 2023, respectively. This segment recorded non-interest income of \$35.6 million for the second quarter of 2024 compared to \$33.4 million for the second quarter of 2023. On a year-to-date basis, this segment recorded non-interest income of \$94.1 million for the first six months of 2024 as compared to \$63.7 million for the first six months of 2023. The increase was primarily due to a \$20.0 million gain recognized in the first quarter of 2024 related to the sale of the Company's RBA division within the wealth management business. Distribution of wealth management services through each bank continues to be a focus of the Company. 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's net income totaled \$8.1 million for the second quarter of 2024 compared to \$5.8 million for the second quarter of 2023. On a year-to-date basis, the wealth management segment's net income totaled \$32.8 million and \$15.1 million for the six month period ended June 30, 2024 and 2023, respectively.

Financial Condition

Total assets were \$59.8 billion at June 30, 2024, representing an increase of \$5.5 billion, or 10%, when compared to June 30, 2023 and an increase of approximately \$2.2 billion, or 15% on an annualized basis, when compared to March 31, 2024. Total funding, which includes deposits, all notes and advances, including secured borrowings and the junior subordinated debentures, was \$52.4 billion at June 30, 2024, \$50.4 billion at March 31, 2024, and \$47.4 billion at June 30, 2023. See Notes (5), (6), (10), (11) and (12) of the Consolidated Financial Statements presented under Item 1 of this report 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 asset balances and the relative percentage of total average earning assets for the periods presented:

(Dollars in thousands)	Three Months Ended					
	June 30, 2024		March 31, 2024		June 30, 2023	
	Balance	Percent	Balance	Percent	Balance	Percent
Mortgage loans held-for-sale	\$ 347,236	1 %	\$ 290,275	1 %	\$ 307,683	1 %
Loans, net of unearned income						
Commercial	\$ 13,729,524	25 %	\$ 12,903,752	25 %	\$ 12,616,682	26 %
Commercial real estate	11,810,525	22	11,507,050	22	10,438,593	21
Home equity	348,306	1	343,861	1	338,388	1
Residential real estate	2,893,829	5	2,730,938	5	2,453,384	5
Premium finance receivables	14,956,258	28	14,564,075	28	14,181,414	29
Other loans	80,912	0	80,217	0	77,932	0
Total average loans ⁽¹⁾	\$ 43,819,354	81 %	\$ 42,129,893	81 %	\$ 40,106,393	82 %
Liquidity management assets ⁽²⁾	9,942,859	18	9,834,776	18	8,930,452	17
Other earning assets ⁽³⁾	15,257	0	15,081	0	17,401	0
Total average earning assets	\$ 54,124,706	100 %	\$ 52,270,025	100 %	\$ 49,361,929	100 %
Total average assets	\$ 57,493,184		\$ 55,602,695		\$ 52,601,953	
Total average earning assets to total average assets		94 %		94 %		94 %

(1) Total average loans includes nonaccrual 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.

Mortgage loans held-for-sale. Mortgage loans held-for-sale represents such loans awaiting subsequent sale in the secondary market with such sales eliminating the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans, and provide a source of non-interest revenue. The increase in average balance for the second quarter of 2024 as compared to the sequential and prior year periods is primarily due to higher mortgage origination production.

Loans, net of unearned income. Growth realized in the combined commercial and commercial real estate loan categories for the second quarter of 2024 as compared to the sequential and prior year periods is primarily attributable to increased business development efforts. The aggregate balances of these loan categories comprised 58%, 58% and 57% of the average loan portfolio in the second quarter of 2024, first quarter of 2024 and second quarter of 2023, respectively.

Residential real estate loans averaged \$2.9 billion in the second quarter of 2024, and increased \$440.4 million, or 18% from the average balance of \$2.5 billion in the same period of 2023. Additionally, compared to the quarter ended March 31, 2024, the average balance increased \$162.9 million, or 24% on an annualized basis. Growth is due to the Company continuing to allocate a portion of its mortgage production for investment instead of for subsequent sale and servicing in the secondary market.

The increase in the premium finance receivables during the second quarter of 2024 compared to the second quarter of 2023 was the result of continued originations within the portfolio due to hardening insurance market conditions driving a higher average size of new property and casualty insurance premium finance receivables as well as effective marketing and customer servicing. The increase was in spite of a loan sale transaction of approximately \$742 million of property and casualty insurance premium finance receivables during the second quarter of 2024. Approximately \$5.5 billion of premium finance receivables were originated in the second quarter of 2024 compared to \$5.0 billion during the same period of 2023. Premium finance receivables consist of a property and casualty portfolio and a life portfolio comprising approximately 47% and 53%, respectively, of the average total balance of premium finance receivables for the second quarter of 2024, and 43% and 57%, respectively, for the second quarter of 2023.

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

Liquidity management assets. Funds that are not utilized for loan originations are used to purchase investment securities and short term money market investments, to sell as federal funds and to maintain in interest bearing deposits with banks. The balances of these assets can fluctuate based on management's ongoing effort to manage liquidity and for asset liability management purposes. The Company will continue to prudently evaluate and utilize liquidity sources as needed, including the management of availability with the FHLB and FRB and utilization of the revolving credit facility with unaffiliated banks.

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

(Dollars in thousands)	Six Months Ended			
	June 30, 2024		June 30, 2023	
	Balance	Percent	Balance	Percent
Mortgage loans held-for-sale	\$ 318,756	1 %	\$ 289,426	1 %
Loans:				
Commercial	\$ 13,316,638	25 %	\$ 12,509,664	25 %
Commercial real estate	11,658,787	22	10,292,260	21
Home equity	346,083	1	335,806	1
Residential real estate	2,812,384	5	2,395,111	5
Premium finance receivables	14,760,166	28	13,997,512	29
Other loans	80,565	0	72,319	0
Total average loans ⁽¹⁾	\$ 42,974,623	81 %	\$ 39,602,672	81 %
Liquidity management assets ⁽²⁾	9,888,817	18	9,176,900	18
Other earning assets ⁽³⁾	15,169	0	17,920	0
Total average earning assets	\$ 53,197,365	100 %	\$ 49,086,918	100 %
Total average assets	\$ 56,547,939		\$ 52,340,090	
Total average earning assets to total average assets		94 %		94 %

(1) Total average loans includes nonaccrual 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.

Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table classifies the loan portfolio at June 30, 2024 by date at which the loans reprice or mature, and the type of rate exposure:

As of June 30, 2024					
(In thousands)	One year or less	From one to five years	From five to fifteen years	After fifteen years	Total
Commercial					
Fixed rate	\$ 477,277	\$ 3,103,539	\$ 1,833,528	\$ 42,066	\$ 5,456,410
Variable rate	8,696,826	1,226	—	—	8,698,052
Total commercial	\$ 9,174,103	\$ 3,104,765	\$ 1,833,528	\$ 42,066	\$ 14,154,462
Commercial real estate					
Fixed rate	\$ 528,051	\$ 2,517,267	\$ 352,478	\$ 55,075	\$ 3,452,871
Variable rate	8,480,512	13,745	69	—	8,494,326
Total commercial real estate	\$ 9,008,563	\$ 2,531,012	\$ 352,547	\$ 55,075	\$ 11,947,197
Home equity					
Fixed rate	\$ 9,862	\$ 3,413	\$ —	\$ 24	\$ 13,299
Variable rate	343,014	—	—	—	343,014
Total home equity	\$ 352,876	\$ 3,413	\$ —	\$ 24	\$ 356,313
Residential real estate					
Fixed rate	\$ 20,300	\$ 3,124	\$ 29,630	\$ 1,036,012	\$ 1,089,066
Variable rate	77,249	385,872	1,515,148	—	1,978,269
Total residential real estate	\$ 97,549	\$ 388,996	\$ 1,544,778	\$ 1,036,012	\$ 3,067,335
Premium finance receivables - property & casualty					
Fixed rate	\$ 7,015,748	\$ 85,005	\$ —	\$ —	\$ 7,100,753
Variable rate	—	—	—	—	—

Total premium finance receivables - property & casualty	\$ 7,015,748	\$ 85,005	\$ —	\$ —	\$ 7,100,753
Premium finance receivables - life insurance					
Fixed rate	\$ 71,207	\$ 543,433	\$ 4,000	\$ 6,991	\$ 625,631
Variable rate	7,336,484	—	—	—	7,336,484
Total premium finance receivables - life insurance	\$ 7,407,691	\$ 543,433	\$ 4,000	\$ 6,991	\$ 7,962,115
Consumer and other					
Fixed rate	\$ 33,887	\$ 5,452	\$ 9	\$ 455	\$ 39,803
Variable rate	47,553	—	—	—	47,553
Total consumer and other	\$ 81,440	\$ 5,452	\$ 9	\$ 455	\$ 87,356
Total per category					
Fixed rate	\$ 8,156,332	\$ 6,261,233	\$ 2,219,645	\$ 1,140,623	\$ 17,777,833
Variable rate	24,981,638	400,843	1,515,217	—	26,897,698
Total loans, net of unearned income	\$ 33,137,970	\$ 6,662,076	\$ 3,734,862	\$ 1,140,623	\$ 44,675,531
Variable Rate Loan Pricing by Index:					
SOFR tenors					\$ 15,744,528
One- year CMT					6,176,495
Prime					3,474,480
Fed Funds					997,252
Ameribor tenors					241,682
Other U.S. Treasury tenors					124,349
Other					138,912
Total variable rate					\$ 26,897,698

SOFR - Secured Overnight Financing Rate.

CMT - Constant Maturity Treasury Rate.

Ameribor - American Interbank Offered Rate.

CREDIT QUALITY

Commercial and Commercial Real Estate Loan Portfolios

Our commercial and commercial real estate loan portfolios are comprised primarily of lines of credit for working capital purposes and commercial real estate loans. The table below sets forth information regarding the types and amounts of our loans within these portfolios as of June 30, 2024 and 2023:

	As of June 30, 2024			As of June 30, 2023		
	Balance	% of Total Balance	Allowance For Credit Losses Allocation	Balance	% of Total Balance	Allowance For Credit Losses Allocation
(Dollars in thousands)						
Commercial:						
Commercial, industrial, and other	\$ 14,154,462	54.2 %	\$ 181,991	\$ 12,600,471	54.3 %	\$ 143,142
Commercial Real Estate:						
Construction and development	\$ 2,260,551	8.7 %	\$ 93,154	\$ 1,760,436	7.6 %	\$ 86,725
Non-construction	9,686,646	37.1	130,574	8,848,375	38.1	128,971
Total commercial real estate	\$ 11,947,197	45.8 %	\$ 223,728	\$ 10,608,811	45.7 %	\$ 215,696
Total commercial and commercial real estate	\$ 26,101,659	100.0 %	\$ 405,719	\$ 23,209,282	100.0 %	\$ 358,838
Commercial real estate - collateral location by state:						
Illinois	\$ 7,016,665	58.7 %		\$ 6,751,865	63.6 %	
Wisconsin	869,574	7.3		861,564	8.1	
Total primary markets	\$ 7,886,239	66.0 %		\$ 7,613,429	71.7 %	
Florida	395,168	3.3		270,412	2.5	
Indiana	391,477	3.3		348,239	3.3	
Tennessee	282,113	2.4		133,852	1.3	
Michigan	269,745	2.3		152,956	1.4	
Texas	263,036	2.2		199,896	1.9	
Colorado	258,438	2.2		258,092	2.4	
Other	2,200,981	18.3		1,631,935	15.5	
Total commercial real estate	\$ 11,947,197	100.0 %		\$ 10,608,811	100.0 %	

We make commercial loans for many purposes, including working capital lines, which are generally renewable annually and supported by business assets, personal guarantees and additional collateral. Such loans may vary in size based on customer need. Primarily as a result of growth in the Company's commercial loan portfolio our allowance for credit losses in our commercial loan portfolio increased to \$182.0 million as of June 30, 2024 compared to \$143.1 million as of June 30, 2023.

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, 66.0% of our commercial real estate loan portfolio is located in this region as of June 30, 2024. We have been able to effectively manage our total non-performing commercial real estate loans, aided by our credit management process. As of June 30, 2024, our allowance for credit losses related to this portfolio was \$223.7 million compared to \$215.7 million as of June 30, 2023. The increase in the allowance for credit losses is primarily a result of growth in our commercial real estate portfolio as well as a deteriorated forecast in the CREPI macroeconomic variable. The table below sets forth the commercial real estate loans by property type and owner vs. non-owner occupied.

(In thousands)

Commercial Real Estate:	June 30, 2024					June 30, 2023					Average Size of Loan
	Owner Occupied	Non-Owner Occupied	Total	% of Total	Average Size of Loan	Owner Occupied	Non-Owner Occupied	Total	% of Total	Average Size of Loan	
Residential construction	\$ 3,319	\$ 51,700	\$ 55,019	1 %	\$ 1,038	\$ 3,277	\$ 48,412	\$ 51,689	1 %	\$ 861	
Commercial construction	163,287	1,703,414	1,866,701	16	4,549	62,525	1,347,226	1,409,751	13	4,293	
Land	6,856	331,975	338,831	3	2,041	10,505	288,491	298,996	3	1,699	
Office	267,188	1,318,124	1,585,312	13	1,516	276,027	1,128,395	1,404,422	13	1,329	
Industrial	858,781	1,448,674	2,307,455	19	1,748	826,481	1,176,259	2,002,740	19	1,510	
Retail	315,027	1,050,726	1,365,753	11	1,219	318,419	985,664	1,304,083	12	1,160	
Multi-family	106,762	2,882,178	2,988,940	25	1,275	114,732	2,581,746	2,696,478	25	1,133	
Mixed use and other	455,304	983,882	1,439,186	12	1,128	464,225	976,427	1,440,652	14	1,141	
Total commercial real estate	\$ 2,176,524	\$ 9,770,673	\$ 11,947,197	100 %	\$ 1,545	\$ 2,076,191	\$ 8,532,620	\$ 10,608,811	100 %	\$ 1,376	

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

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 assigns 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. Description of the Company's credit risk rating structure used is included in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations of the 2023 Form 10-K.

If based on current information and events, it is probable that the Company will be unable to collect all amounts due to it according to the contractual terms of the loan agreement, a loan is individually assessed for measuring the allowance for credit losses and, if necessary, a reserve is established. In determining the appropriate reserve for collateral-dependent loans, the Company considers the results of appraisals for the associated collateral.

Loan Portfolio Aging

As of June 30, 2024, excluding early buy-out loans guaranteed by U.S. government agencies, \$59.4 million, or 0.1% of all loans, were 60 to 89 days (or two payments) past due and \$139.8 million, or 0.3% of all loans, were 30 to 59 days (or one payment) past due. As of March 31, 2024, excluding early buy-out loans guaranteed by U.S. government agencies, \$94.9 million, or 0.2% of all loans, were 60 to 89 days (or two payments) past due and \$296.9 million, or 0.7% of all loans, 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 June 30, 2024 that were current with regard to the contractual terms of the loan agreement represent 99.3% of the total home equity portfolio. Residential real estate loans, excluding early buy-out loans guaranteed by U.S. government agencies, at June 30, 2024 that were current with regards to the contractual terms of the loan agreements comprise 99.3% of total residential real estate loans outstanding. For more information regarding delinquent loans as of June 30, 2024, see Note (7) "Allowance for Credit Losses" in Item 1 of this report.

Non-performing Assets ⁽¹⁾

The following table sets forth the Company's non-performing assets performing under the contractual terms of the loan agreement as of the dates shown.

(Dollars in thousands)

	June 30, 2024	March 31, 2024	June 30, 2023
Loans past due greater than 90 days and still accruing:			
Commercial	\$ 304	\$ 27	\$ 573
Commercial real estate	—	—	—
Home equity	—	—	110
Residential real estate	—	—	—
Premium finance receivables—property and casualty	22,427	25,877	12,785
Premium finance receivables—life insurance	—	—	1,667
Consumer and other	121	47	28
Total loans past due greater than 90 days and still accruing	22,852	25,951	15,163
Nonaccrual loans:			
Commercial	51,087	31,740	40,460
Commercial real estate	48,289	39,262	18,483
Home equity	1,100	838	1,361
Residential real estate	18,198	17,901	13,652
Premium finance receivables—property and casualty	32,722	32,648	19,583
Premium finance receivables—life insurance	—	—	6
Consumer and other	3	19	4
Total nonaccrual loans	151,399	122,408	93,549
Total non-performing loans:			
Commercial	51,391	31,767	41,033
Commercial real estate	48,289	39,262	18,483
Home equity	1,100	838	1,471
Residential real estate	18,198	17,901	13,652
Premium finance receivables—property and casualty	55,149	58,525	32,368
Premium finance receivables—life insurance	—	—	1,673
Consumer and other	124	66	32
Total non-performing loans	\$ 174,251	\$ 148,359	\$ 108,712
Other real estate owned	19,731	14,538	11,586
Total non-performing assets	193,982	\$ 162,897	\$ 120,298
Total non-performing loans by category as a percent of its own respective category's period-end balance:			
Commercial	0.36 %	0.24 %	0.33 %
Commercial real estate	0.40	0.34	0.17
Home equity	0.31	0.25	0.44
Residential real estate	0.59	0.62	0.52
Premium finance receivables—property and casualty	0.78	0.84	0.48
Premium finance receivables—life insurance	—	—	0.02
Consumer and other	0.14	0.13	0.10
Total non-performing loans	0.39 %	0.34 %	0.26 %
Total non-performing assets, as a percentage of total assets	0.32 %	0.28 %	0.22 %
Total nonaccrual loans as a percentage of total loans	0.34 %	0.28 %	0.23 %
Allowance for credit losses as a percentage of nonaccrual loans	288.69 %	348.98 %	414.09 %

(1) Excludes early buy-out loans guaranteed by U.S. government agencies. Early buy-out loans are insured or guaranteed by the FHA or the U.S. Department of Veterans Affairs, subject to indemnifications and insurance limits for certain loans.

At this time, management believes reserves are appropriate to absorb losses that are expected upon the ultimate resolution of these credits. Significant increases may occur in subsequent periods due to ongoing macroeconomic uncertainty and related impacts on borrowers. Management will continue to actively review and monitor its loan portfolios, in an effort to identify problem credits in a timely manner.

Non-performing Loans Rollforward, excluding early buy-out loans guaranteed by U.S. government agencies

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(In thousands)				
Balance at beginning of period	\$ 148,359	\$ 100,690	\$ 139,030	\$ 100,697
Additions from becoming non-performing in the respective period	54,376	21,246	77,518	45,701
Return to performing status	(912)	(360)	(1,402)	(840)
Payments received	(9,611)	(12,314)	(17,947)	(17,575)
Transfer to OREO and other repossessed assets	(6,945)	(2,958)	(8,326)	(2,958)
Charge-offs	(7,673)	(2,696)	(22,483)	(3,855)
Net change for premium finance receivables	(3,343)	5,104	7,861	(12,458)
Balance at end of period	\$ 174,251	\$ 108,712	\$ 174,251	\$ 108,712

Allowance for Credit Losses

The allowance for credit losses, specifically the allowance for loans losses and the allowance for unfunded commitment losses, represents management's estimate of lifetime expected credit losses in the loan portfolio. The allowance for credit losses is determined quarterly using a methodology that incorporates important risk characteristics of each loan. A description of how the Company determines the allowance for credit losses is included in Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations of the 2023 Form 10-K.

Management determined that the allowance for credit losses was appropriate at June 30, 2024, and that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. While this process involves a high degree of management judgment, the allowance for credit losses is based on a comprehensive, well documented, and consistently applied analysis of the Company's loan portfolio. This analysis takes into consideration all available information existing as of the financial statement date, including environmental factors such as economic, industry, geographical and political factors, when considered applicable. The relative level of allowance for credit losses is reviewed and compared to industry peers. This review encompasses levels of total non-performing loans, portfolio mix, portfolio concentrations and overall levels of net charge-off. Historical trending of both the Company's results and the industry peers is also reviewed to analyze comparative significance.

Allowance for Credit Losses

The following table summarizes the activity in our allowance for credit losses, specifically related to loans and unfunded lending-related commitments, during the periods indicated.

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(Dollars in thousands)				
Allowance for credit losses at beginning of period	\$ 427,175	\$ 375,798	\$ 427,265	\$ 357,448
Cumulative effect adjustment from the adoption of ASU 2022-02	—	—	—	741
Provision for credit losses	39,899	28,571	61,590	51,641
Other adjustments	(19)	41	(50)	45
Charge-offs:				
Commercial	9,584	5,629	20,799	8,172
Commercial real estate	15,526	8,124	20,995	8,129
Home equity	—	—	74	—
Residential real estate	23	—	61	—
Premium finance receivables - property & casualty	9,486	4,519	16,424	9,148
Premium finance receivables - life insurance	—	134	—	155
Consumer and other	137	110	244	263
Total charge-offs	34,756	18,516	58,597	25,867
Recoveries:				
Commercial	950	505	1,429	897
Commercial real estate	90	25	121	125
Home equity	35	37	64	72
Residential real estate	8	6	10	10
Premium finance receivables - property & casualty	3,658	890	5,177	2,204
Premium finance receivables - life insurance	5	—	13	9
Consumer and other	24	23	47	55
Total recoveries	4,770	1,486	6,861	3,372
Net charge-offs	(29,986)	(17,030)	(51,736)	(22,495)
Allowance for credit losses at period end	\$ 437,069	\$ 387,380	\$ 437,069	\$ 387,380
Annualized net charge-offs (recoveries) by category as a percentage of its own respective category's average:				
Commercial	0.25 %	0.16 %	0.29 %	0.12 %
Commercial real estate	0.53	0.31	0.36	0.16
Home equity	(0.04)	(0.04)	0.01	(0.04)
Residential real estate	0.00	(0.00)	0.00	(0.00)
Premium finance receivables - property & casualty	0.33	0.24	0.33	0.24
Premium finance receivables - life insurance	(0.00)	0.01	0.00	0.00
Consumer and other	0.56	0.45	0.49	0.58
Total loans, net of unearned income	0.28 %	0.17 %	0.24 %	0.11 %
Loans at period-end	\$ 44,675,531	\$ 41,023,408		
Allowance for loan losses as a percentage of loans at period end	0.81 %	0.74 %		
Allowance for loan and unfunded loan-related commitment losses as a percentage of loans at period end	0.98	0.94		

See Note (7) “Allowance for Credit Losses” of the Consolidated Financial Statements presented under Item 1 of this report for further discussion of activity within the allowance for credit losses during the period and the relationship with respective loan balances for each loan category and the total loan portfolio.

Other Real Estate Owned

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
(In thousands)				
Balance at beginning of period	\$ 14,538	\$ 9,361	\$ 13,309	\$ 9,900
Disposal/resolved	(1,752)	(733)	(1,752)	(1,168)
Transfers in at fair value, less costs to sell	6,945	2,958	8,381	2,958
Fair value adjustments	—	—	(207)	(104)
Balance at end of period	<u>\$ 19,731</u>	<u>\$ 11,586</u>	<u>\$ 19,731</u>	<u>\$ 11,586</u>

	Period End		
	June 30, 2024	March 31, 2024	June 30, 2023
(In thousands)			
Residential real estate	\$ 161	\$ 1,146	\$ 318
Commercial real estate	19,570	13,392	11,268
Total	<u>\$ 19,731</u>	<u>\$ 14,538</u>	<u>\$ 11,586</u>

Deposits

Total deposits at June 30, 2024 were \$48.0 billion, an increase of \$4.0 billion, or 9%, compared to total deposits at June 30, 2023. See Note (10) “Deposits” to the Consolidated Financial Statements in Item 1 of this report for a summary of period end deposit balances.

The following table sets forth, by category, the maturity of time certificates of deposit as of June 30, 2024:

Time Certificates of Deposit Maturity/Re-pricing Analysis As of June 30, 2024

(Dollars in thousands)	Total Time Certificates of Deposits	Weighted-Average Rate of Maturing Time Certificates of Deposit
1-3 months	\$ 2,680,761	4.75 %
4-6 months	2,863,328	4.74
7-9 months	2,309,917	4.36
10-12 months	1,073,537	4.25
13-18 months	215,181	3.50
19-24 months	67,172	2.52
24+ months	60,874	1.90
Total	<u>\$ 9,270,770</u>	<u>4.53 %</u>

The following table sets forth, by category, the composition of average deposit balances and the relative percentage of total average deposits for the periods presented:

(Dollars in thousands)	Three Months Ended					
	June 30, 2024		March 31, 2024		June 30, 2023	
	Balance	Percent	Balance	Percent	Balance	Percent
Non-interest-bearing	\$ 9,879,134	21 %	\$ 9,972,646	22 %	\$ 10,908,022	26 %
NOW and interest-bearing demand deposits	4,985,306	11	5,680,265	13	5,540,597	13
Wealth management deposits	1,531,865	3	1,510,203	3	1,545,626	4
Money market	15,272,126	33	14,474,492	33	13,735,924	32
Savings	5,878,844	13	5,792,118	13	5,206,609	12
Time certificates of deposit	8,546,172	19	7,148,456	16	5,603,024	13
Total average deposits	\$ 46,093,447	100 %	\$ 44,578,180	100 %	\$ 42,539,802	100 %

Total average deposits for the second quarter of 2024 were \$46.1 billion, an increase of \$3.6 billion, or 8%, from the second quarter of 2023. Total deposits increased in the second quarter as the Company increased marketing efforts to retain and attract deposits to support continued loan growth. Additionally, the diversity of our deposit base showed its resilience in a volatile market. The Company has experienced a change in the mix of deposits as non-interest bearing deposits have migrated to interest-bearing products.

Wealth management deposits are funds from the brokerage customers of Wintrust Investments, CDEC and trust and asset management customers of the Company 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.

Brokered Deposits

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:

(Dollars in thousands)	June 30,		December 31,		
	2024	2023	2023	2022	2021
Total deposits	\$ 48,049,026	\$ 44,038,707	\$ 45,397,170	\$ 42,902,544	\$ 42,095,585
Brokered deposits	4,938,217	4,086,222	4,216,718	3,174,093	1,591,083
Brokered deposits as a percentage of total deposits	10.3 %	9.3 %	9.3 %	7.4 %	3.8 %

Brokered deposits include certificates of deposit obtained through deposit brokers, deposits received through the Certificate of Deposit Account Registry Program, and certain deposits of brokerage customers from unaffiliated companies which have been placed into deposit accounts of the banks.

Other Funding Sources

Although deposits are the Company’s primary source of funding its interest-earning assets, the Company’s ability to manage the types and terms of deposits is somewhat limited by customer preferences and market competition. As a result, in addition to deposits and the issuance of equity securities and the retention of earnings, the Company uses several other funding sources to support its growth. These sources include FHLB advances, notes payable, short-term borrowings, secured borrowings, subordinated debt 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 quarterly periods presented:

(In thousands)	Three Months Ended		
	June 30, 2024	March 31, 2024	June 30, 2023
FHLB advances	\$ 3,096,920	\$ 2,728,849	\$ 2,227,106
Other borrowings:			
Notes payable	163,920	171,049	192,591
Short-term borrowings	799	24,396	20,691
Secured borrowings	364,207	373,403	352,064
Other	58,336	58,863	60,411
Total other borrowings	\$ 587,262	\$ 627,711	\$ 625,757
Subordinated notes	410,331	437,893	437,545
Junior subordinated debentures	253,566	253,566	253,566
Total other funding sources	\$ 4,348,079	\$ 4,048,019	\$ 3,543,974

See Note (11) “FHLB Advances, Other Borrowings and Subordinated Notes” and Note (12) “Junior Subordinated Debentures” of the Consolidated Financial Statements presented under Item 1 of this report for details of period end balances and other information for these various funding sources. The Company hereby incorporates by reference Note (11) and Note (12) of the Consolidated Financial Statements presented under Item 1 of this report in its entirety.

Shareholders’ Equity

The following tables reflect various consolidated measures of capital as of the dates presented and the capital guidelines established for a bank holding company:

	June 30, 2024	March 31, 2024	June 30, 2023
Tier 1 leverage ratio	9.3 %	9.4 %	9.3 %
<u>Risk-based capital ratios:</u>			
Tier 1 capital ratio	10.3	10.3	10.1
Common equity tier 1 capital ratio	9.5	9.5	9.3
Total capital ratio	12.1	12.2	12.0
<u>Other ratio:</u>			
Total average equity-to-total average assets ⁽¹⁾	9.5	9.8	9.6

(1) Based on quarterly average balances.

	Minimum Capital Requirements	Minimum Ratio + Capital Conservation Buffer ⁽¹⁾	Minimum Well Capitalized ⁽²⁾
Tier 1 leverage ratio	4.0 %	N/A	N/A
<u>Risk-based capital ratios:</u>			
Tier 1 capital ratio	6.0	8.5	6.0
Common equity tier 1 capital ratio	4.5	7.0	N/A
Total capital ratio	8.0	10.5	10.0

(1) Reflects the Capital Conservation Buffer of 2.5%.

(2) Reflects the well-capitalized standard applicable to the Company for purposes of the Federal Reserve’s Regulation Y. The Federal Reserve has not yet revised the well-capitalized standard for bank holding companies (“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, we believe the Company’s capital ratios as of June 30, 2024 would exceed such revised well-capitalized standard.

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 (11) and (12) of the Consolidated Financial Statements in Item 1 for further information on these various funding sources. See Note (23) "Shareholders' Equity" of the Consolidated Financial Statements presented under Item 7 of the 2023 Form 10-K for details on the Company's issuance of Series D Preferred Stock in June 2015, Series E Preferred Stock and associated Depositary Shares in May 2020 and additional common stock offering in June 2022.

The Board of Directors approves dividends from time to time, however, the ability to declare a dividend is limited by the Company's financial condition, the terms of the Company's Series D and Series E Preferred Stock, the terms of the Company's Trust Preferred Securities offerings and under certain financial covenants in the Company's revolving and term facilities. In January and April of 2024, the Company declared a quarterly cash dividend of \$0.45 per common share. In January, April, July and October of 2023, the Company declared a quarterly cash dividend of \$0.40 per common share.

The Company continues to leverage its capital management framework to assess and monitor risk when making capital decisions. Management is committed to maintaining the Company's capital levels above the "Well Capitalized" levels established by the FRB for bank holding companies.

LIQUIDITY

The Company manages the liquidity position of its banking operations to ensure that sufficient funds are available to meet customers' needs for loans and deposit withdrawals. The management process includes the utilization of stress testing processes and other aspects of the Company's liquidity management framework to assess and monitor risk, and inform decision making. The liquidity to meet the demands of customers is provided by maturing assets, liquid assets that can be converted to cash and the ability to attract funds from external sources. Liquid assets refer to money market assets such as Federal funds sold and interest-bearing deposits with banks, as well as available-for-sale debt securities and equity securities with readily determinable fair values which are not pledged to secure public funds. In addition, trade date receivables represent certain sales or calls of available-for-sale securities that await cash settlement, typically in the month following the trade date.

In addition to the liquidity management noted above, in the second quarter of 2024, the Company completed a loan sale transaction within our property and casualty insurance premium finance receivables portfolio which demonstrated that our premium finance portfolio is a strong source of additional liquidity if needed and demonstrated the flexibility to continue to manage our balance sheet effectively. Net proceeds to the Company totaled approximately \$627.5 million and a gain on the sale was recorded for approximately \$4.6 million. We maintain our liquid assets to ensure that we would have the balance sheet strength to serve our clients. As a result, the Company believes that it has sufficient funds and access to funds to effectively meet its working capital and other needs. The Company will continue to prudently evaluate liquidity sources, including the management of availability with the FHLB and FRB and utilization of the revolving credit facility with unaffiliated banks. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operation -Interest-Earning Assets, -Deposits, -Other Funding Sources and -Shareholders' Equity sections of this report for additional information regarding the Company's liquidity position.

INFLATION

A banking organization's assets and liabilities are primarily monetary. Changes in the rate of inflation typically 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 as material an impact on the Company's business as entities operating in other industries. An analysis of the Company's asset and liability structure provides the best indication of how the organization is positioned to respond to changing interest rates. See "Quantitative and Qualitative Disclosures About Market Risk" section of this report for additional information.

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, and which may include, but are not limited to, those listed below and the Risk Factors discussed under Item 1A of the Company's 2023 Annual Report on Form 10-K and in any of the Company's

subsequent SEC filings. 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 plans to form additional de novo banks or branch offices, and management's long-term performance goals, as well as statements relating to the anticipated effects on the Company's 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 and events 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, including an actual or threatened U.S. government debt default or rating downgrade, 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 credit 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;
- the interest rate environment, including a prolonged period of low interest rates or rising interest rates, either broadly or for some types of instruments, which may affect the Company's net interest income and net interest margin, and which could materially adversely affect the Company's profitability;
- 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 losses, difficulties or developments related to 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 and similar events or data corruption attempts and identity theft;
- adverse effects on our information technology systems, or those of third parties, resulting from failures, human error or cyberattacks (including ransomware);
- 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, and ability of the Company to effectively manage the transition of the chief executive officer role;
- 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 and the impact of recent failures of financial institutions, including broader financial institution liquidity risk and concerns;
- the expenses and delayed returns inherent in opening new branches and de novo banks;
- liabilities, potential customer loss or reputational harm related to closings of existing branches;
- examinations and challenges by tax authorities, and any unanticipated impact of the Tax Act;
- changes in accounting standards, rules and interpretations, and the impact on the Company's financial statements;
- the ability of the Company to receive dividends from its subsidiaries;
- the impact of the Company's transition from LIBOR to an alternative benchmark rate for current and future transactions;
- 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;
- changes in laws, regulations, rules, standards and contractual obligations regarding data privacy and cybersecurity;
- a lowering of our credit rating;
- changes in U.S. monetary policy and changes to the Federal Reserve's balance sheet, including changes in response to persistent inflation or otherwise;
- regulatory restrictions upon our ability to market our products to consumers and limitations on our ability to profitably operate our mortgage business;
- 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;
- fluctuations in the stock market, which may have an adverse impact on the Company's wealth management business and brokerage operation; and
- widespread outages of operational, communication, or other systems, whether internal or provided by third parties, natural or other disasters (including acts of terrorism, armed hostilities and pandemics), and the effects of climate change.

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

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 Board of Directors. 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 of 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.

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 maximizing 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 June 30, 2024, March 31, 2024 and June 30, 2023 is as follows:

	+200 Basis Points	+100 Basis Points	-100 Basis Points	-200 Basis Points
<u>Static Shock Scenarios</u>				
June 30, 2024	1.5 %	1.0 %	0.6 %	(0.0) %
March 31, 2024	1.9	1.4	1.5	1.6 %
June 30, 2023	5.7	2.9	(2.9)	(7.9) %
<u>Ramp Scenarios</u>				
June 30, 2024	1.2 %	1.0 %	0.9 %	1.0 %
March 31, 2024	0.8	0.6	1.3	2.0 %
June 30, 2023	2.9	1.8	(0.9)	(3.4) %

One method utilized by financial institutions, including the Company, to manage interest rate risk is to enter into derivative financial instruments. Derivative financial instruments include interest rate swaps, interest rate caps, floors and collars, futures, forwards, option contracts and other financial instruments with similar characteristics. Additionally, the Company enters into commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of mortgage loans to third party investors. See Note (14) "Derivative Financial Instruments" of the Consolidated Financial Statements in Item 1 of this report for further information on the Company's derivative financial instruments.

As shown above, the magnitude of potential changes in net interest income in various interest rate scenarios has continued to remain relatively neutral. Given the recent unprecedented rise in interest rates, the Company has made a conscious effort to reposition its exposure to changing interest rates given the uncertainty of the future interest rate environment. To this end, management has executed various derivative instruments including collars and receive fixed swaps to hedge variable rate loan exposures and originated a higher percentage of its loan originations in longer term fixed rate loans. The Company will continue to monitor current and projected interest rates and expects to execute additional derivatives to mitigate potential fluctuations in net interest margin in future periods.

Periodically, the Company enters into certain covered call option transactions related to certain securities held by the Company. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to economically hedge positions and compensate for net interest margin compression by increasing the total return associated with the related securities through fees generated from these options. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these options contributes to the Company's overall profitability. The Company's exposure to interest rate risk may be impacted by these transactions. To further mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no covered call options outstanding as of June 30, 2024 and June 30, 2023. See Note (14)

“Derivative Financial Instruments” of the Consolidated Financial Statements in Item 1 of this report for further information on the Company’s fees from covered call options for the six months ended June 30, 2024 and June 30, 2023.

ITEM 4

CONTROLS AND PROCEDURES

As of the end of the period covered by this report, 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.

There were no changes in the Company’s internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II —

Item 1: 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.

Wintrust Mortgage California PAGA Matter

On May 24, 2022, a former Wintrust Mortgage employee filed a California Private Attorney General Act (“PAGA”) suit, not individually, but as representative of all Wintrust Mortgage’s California hourly employees, against Wintrust Mortgage in the Superior Court of San Diego County, California. Plaintiff alleges Wintrust Mortgage failed to provide: (i) accurate sick leave accrual and pay; (ii) overtime wages; (iii) accurately itemized wage statements; (iv) meal breaks and meal premiums; (v) timely payment of earned wages; (vi) payment of all earned wages; and (vii) payment of all vested vacation hours. Wintrust Mortgage disputes the validity of Plaintiff’s claims and believes, to the extent there were defects in complying with California law governing the payment of compensation to Plaintiff, such errors would have been de minimis. Plaintiff also has an arbitration agreement with a collective and class action waiver and on January 19, 2023, Wintrust Mortgage moved to compel arbitration. The court stayed litigation pending mediation, which was held on May 13, 2024. The parties agreed to settle the dispute for an immaterial amount. A hearing for court approval of the settlement has been set for October 4, 2024.

Wintrust Mortgage Fair Lending Matter

On May 25, 2022, a Wintrust Mortgage customer filed a putative class action and asserted individual claims against Wintrust Mortgage and Wintrust Financial Corporation in the District Court for the Northern District of Illinois. Plaintiff alleges that Wintrust Mortgage discriminated against black/African American borrowers and brings class claims under the Equal Credit Opportunity Act, Sections 1981 and 1982 under Chapter 42 of the United States Code; and the Fair Housing Act of 1968. Plaintiff also asserts individual claims under theories of promissory estoppel, fraudulent inducement, and breach of contract. On September 23, 2022, Wintrust filed a motion to dismiss the entire suit and the court granted that motion to dismiss on September 27, 2023 and gave Plaintiff until October 20, 2023 to file an amended complaint. Plaintiff timely filed an amended complaint. Wintrust moved to dismiss the amended complaint on November 21, 2023. Wintrust vigorously disputes these allegations, believing them to be legally and factually meritless, and Wintrust otherwise lacks sufficient information to estimate the amount of any potential liability.

Wintrust Financial ERISA Matter

On July 29, 2022, a former Wintrust employee filed a class action in the District Court for the Northern District of Illinois asserting claims under the federal Employee Retirement Income Security Act (“ERISA”) against Wintrust Financial Corporation. Plaintiff alleges Wintrust breached its fiduciary duty in the selection of BlackRock Target Date funds for inclusion in its 401(k) plan, that Wintrust failed to monitor the performance of those funds, and in the alternative, Wintrust should be liable for breach of trust. Plaintiff’s sole basis for the allegations is that BlackRock Target Date funds allegedly performed more poorly than two comparable funds over a three-year period. Wintrust is one of several public companies that were sued on identical grounds within the same week by the same plaintiff’s law firm. On November 8, 2022, Wintrust filed a motion to dismiss the entire complaint. On July 14, 2023, the District Court granted Wintrust’s motion to dismiss and gave Plaintiff until August 2, 2023 to file an amended complaint. Plaintiff timely filed an amended complaint which Wintrust moved to dismiss on September 14, 2023. We believe plaintiff’s allegations continue to be legally and factually meritless and otherwise lack sufficient information to estimate the amount of any potential liability.

Other Matters

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

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

Item 1A: Risk Factors

There have been no material changes from the risk factors set forth under Part I, Item 1A “Risk Factors” in the 2023 Form 10-K.

Item 2: Unregistered Sales of Equity Securities, Use of Proceeds and 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 six months ended June 30, 2024.

Item 5: Other Information

Securities Trading Plans of Directors and Officers

During the three months ended June 30, 2024, none of our directors or officers adopted or terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (as each term is defined in Item 408(a) of Regulation S-K).

Item 6: Exhibits:

(a) Exhibits

- [2.1 Agreement and Plan of Merger, dated as of April 15, 2024 \(incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 15, 2024\).](#)
- [3.1 Amended and Restated By-laws of the Company, as amended \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on August 1, 2024\).](#)
- [31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- [31.2 Certification of 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 The XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
- (1) Includes the following financial information included in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in iXBRL (Inline 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

SIGNATURES

Pursuant to the requirements 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)

Date: August 8, 2024

/s/ DAVID L. STOEHR

David L. Stoehr
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer and duly authorized officer)

Date: August 8, 2024

/s/ JEFFREY D. HAHNFELD

Jeffrey D. Hahnfeld
Executive Vice President, Controller and
Chief Accounting Officer
(Principal Accounting Officer and duly authorized officer)

CERTIFICATION

I, Timothy S. Crane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wintrust Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024

/s/ TIMOTHY S. CRANE

Name: Timothy S. Crane

Title: President and Chief Executive Officer

CERTIFICATION

I, David L. Stoehr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Wintrust Financial Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024

/s/ DAVID L. STOEHR

Name: David L. Stoehr
Title: Executive Vice President and
Chief Financial Officer

CERTIFICATIONS

SARBANES-OXLEY ACT SECTION 906

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, the undersigned Chief Executive Officer and Chief Financial Officer of Wintrust Financial Corporation (“the Company”) certify, on the basis of such officers’ knowledge and belief that:

- (1) The Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2024, as filed with the Securities and Exchange Commission on August 8, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ TIMOTHY S. CRANE

Name: Timothy S. Crane

Title: President and Chief Executive Officer

Date: August 8, 2024

/s/ DAVID L. STOEHR

Name: David L. Stoehr

Title: Executive Vice President and
Chief Financial Officer

Date: August 8, 2024

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request. This certification accompanies the Report and shall not be treated as having been filed as part of this Report.