

MOSAIC CO  
Form DEF 14A  
August 23, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**The Mosaic Company**

(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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Headquarter Offices:

Atria Corporate Center, Suite E490

3033 Campus Drive

Plymouth, MN 55441

Telephone (763) 577-2700

August 23, 2007

Dear Stockholder:

You are cordially invited to attend The Mosaic Company 2007 Annual Meeting of Stockholders. The meeting will be held at the Radisson Hotel and Conference Center, 3131 Campus Drive, Plymouth, Minnesota 55441 on October 4, 2007, at 10:00 a.m. local time. Directions to the meeting are included at the end of the accompanying Proxy Statement. A Notice of the Annual Meeting, a Proxy Statement covering the formal business of the meeting, our Annual Report for the fiscal year ended May 31, 2007, a proxy card and related information are enclosed. At the meeting we will report on our operations during the fiscal year ended May 31, 2007.

I encourage you to attend the meeting and to vote in favor of the election of directors and the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm.

Regardless of whether you expect to attend the meeting, please promptly sign and return the proxy card in the enclosed postage-paid envelope. Even if you execute this proxy, you may revoke it at any time before it is voted. If you attend the meeting and wish to vote in person, you will be able to do so even if you have previously returned your proxy card.

Your cooperation and prompt attention to this matter are appreciated.

Sincerely,

James T. Prokopanko

President and Chief Executive Officer

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Headquarter Offices:

Atria Corporate Center, Suite E490

3033 Campus Drive

Plymouth, MN 55441

Telephone (763) 577-2700

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Notice of 2007 Annual Meeting of Stockholders

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To Our Stockholders:

The 2007 Annual Meeting of Stockholders of The Mosaic Company, a Delaware corporation, will be held at the Radisson Hotel and Conference Center, 3131 Campus Drive, Plymouth, Minnesota 55441 on October 4, 2007, at 10:00 a.m. local time, to consider and act upon the following matters, each of which is explained more fully in the accompanying Proxy Statement:

1. The election of four directors for terms expiring in 2010, each as recommended by the Board of Directors;
  2. The ratification of the appointment of KPMG LLP as our independent registered public accounting firm to audit our financial statements for the year ending May 31, 2008, as recommended by our Audit Committee; and
  3. Any other business that may properly come before the 2007 Annual Meeting of Stockholders or any adjournment thereof.
- A proxy card for your use in voting on these matters is also enclosed.

In accordance with our bylaws and resolutions of the Board of Directors, only stockholders of record at the close of business on August 8, 2007 are entitled to notice of and to vote at the 2007 Annual Meeting of Stockholders.

By Order of the Board of Directors

Richard L. Mack

Senior Vice President, General Counsel and Corporate Secretary

August 23, 2007

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**PROXY STATEMENT**

**2007 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON OCTOBER 4, 2007**

The Board of Directors of The Mosaic Company is soliciting proxies for use at the 2007 Annual Meeting of Stockholders to be held on October 4, 2007, and at any adjournment of the meeting. This proxy statement and the enclosed proxy card are first being mailed or given to stockholders on or about August 23, 2007.

**QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING**

**What is the purpose of the meeting?**

At our Annual Meeting, stockholders will act upon the matters outlined in the Notice of 2007 Annual Meeting of Stockholders. These include the election of directors and ratification of the selection of our independent registered public accounting firm. Also, management will report on our performance during the fiscal year ended May 31, 2007 and respond to questions from stockholders.

**Who is entitled to vote at the meeting?**

The Board of Directors has set August 8, 2007, as the record date for the Annual Meeting. If you were a stockholder of record at the close of business on August 8, 2007, you are entitled to vote at the meeting.

As of the record date, 441,408,712 shares of our common stock were issued and outstanding and, therefore, eligible to vote at the meeting.

**What are my voting rights?**

Holders of our common stock are entitled to one vote per share. Therefore, a total of 441,408,712 votes are entitled to be cast at the meeting. There is no cumulative voting.

**How many shares must be present to hold the meeting?**

In accordance with our bylaws, the holders of a majority of the shares entitled to vote at the meeting must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. Your shares are counted as present at the meeting if:

you are present and vote in person at the meeting; or

you have properly submitted a proxy card by mail.

**How do I vote my shares?**

If you are a stockholder of record as of the record date, you can give a proxy to be voted at the meeting in any of the following ways:

over the telephone by calling a toll-free number;

electronically, using the internet; or



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by completing, signing and mailing the enclosed proxy card.

The telephone and internet voting procedures have been set up for your convenience. We encourage you to save corporate expense by submitting your vote by telephone or internet. The procedures have been designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you are a stockholder of record and you would like to submit your proxy by telephone or internet, please refer to the specific instructions provided on the enclosed proxy card. If you wish to submit your proxy by mail, please return your signed proxy card to us before the annual meeting.

If you hold your shares in street name, you must vote your shares in the manner prescribed by your broker or other nominee. Your broker or other nominee has enclosed or otherwise provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares, and telephone and internet voting is also encouraged for stockholders who hold their shares in street name.

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### **What is the difference between a stockholder of record and a street name holder?**

If your shares are registered directly in your name, you are considered the stockholder of record with respect to those shares. If your shares are held in a stock brokerage account or by a bank, trust or other nominee, then the broker, bank, trust or other nominee is considered to be the stockholder of record with respect to those shares. However, you still are considered the beneficial owner of those shares, and your shares are said to be held in street name. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares using the method described above.

### **What does it mean if I receive more than one proxy card?**

If you receive more than one proxy card, it means that you hold shares registered in more than one account. To ensure that all of your shares are voted, sign and return each proxy card.

### **Can I vote my shares in person at the meeting?**

If you are a stockholder of record, you may vote your shares in person at the meeting by completing a ballot at the meeting. Even if you currently plan to attend the meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the meeting.

If you are a street name holder, you may vote your shares in person at the meeting only if you obtain a signed letter or other proxy from your broker, bank, trust or other nominee giving you the right to vote the shares at the meeting.

### **What vote is required for the election of directors or for a proposal to be approved?**

The affirmative vote of a plurality of the shares of our common stock present in person or by proxy at the Annual Meeting and entitled to vote in the election of directors is required to elect directors. This means that since stockholders will be electing four directors, the four nominees receiving the highest number of votes will be elected.

The affirmative vote of a majority of the shares of our common stock present in person or by proxy and entitled to vote at the Annual Meeting is required for the approval of the other proposal.

### **How are votes counted?**

You may either vote FOR or WITHHOLD authority to vote for each nominee for the Board of Directors. You may vote FOR, AGAINST or ABSTAIN on the other proposal.

If you submit your proxy but abstain from voting or withhold authority to vote on one or more matters, your shares will be counted as present at the meeting for the purpose of determining a quorum. Your shares also will be counted as present at the meeting for the purpose of calculating the vote on the particular matter with respect to which you abstained from voting or withheld authority to vote.

If you withhold authority to vote for one or more of the directors, this has no effect on the election of those directors. If you abstain from voting on a proposal, your abstention has the same effect as a vote against that proposal.

If you hold your shares in street name and do not provide voting instructions to your broker or other nominee, your shares will be considered to be broker non-votes and will not be voted on any proposal on which your broker does not have discretionary authority to vote under the rules of the New York Stock Exchange (the NYSE). Shares that constitute broker non-votes will be counted as present at the meeting for the purpose of determining a quorum but will not be represented at the meeting for purposes of calculating the vote with respect to such matter or matters. This effectively reduces the number of shares needed to approve such matter or matters.

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### **How does the Board recommend that I vote?**

You will vote on the following proposals:

Election of four directors: F. Guillaume Bastiaens, Raymond F. Bentele, Richard D. Frasch and William R. Graber; and

Ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 31, 2008.

The Board of Directors recommends that you vote FOR each of the nominees to the Board of Directors and FOR the ratification of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 31, 2008.

### **What if I do not specify how I want my shares voted?**

If you submit a signed proxy card and do not specify how you want to vote your shares, we will vote your shares:

FOR all of the nominees for director; and

FOR the ratification of the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending May 31, 2008.

### **Can I change my vote after submitting my proxy?**

Yes. You may revoke your proxy and change your vote at any time before your proxy is voted at the Annual Meeting. If you are a stockholder of record, you may revoke your proxy and change your vote by submitting a later-dated proxy by mail or by voting in person at the meeting. To request an additional proxy card, you should contact Carmen Kilde at 1-800-918-8270. If you hold your shares in street name, contact your broker or other nominee regarding how to revoke your proxy and change your vote.

### **How can I attend the meeting?**

You may be asked to present valid picture identification, such as a driver's license or passport, before being admitted to the meeting. If you hold your shares in street name, you also will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from your broker or other nominee are examples of proof of ownership.

Please let us know whether you plan to attend the meeting by marking the attendance box on the proxy card.

### **Who pays for the cost of proxy preparation and solicitation?**

We pay for the cost of proxy preparation and solicitation, including the reasonable charges and expenses of brokerage firms, banks or other nominees for forwarding proxy materials to street name holders.

We are soliciting proxies primarily by mail. In addition, our directors, officers and regular employees may solicit proxies by personal interview, telephone or telegrams. These individuals will receive no additional compensation for their services other than their regular salaries.

## **BENEFICIAL OWNERSHIP OF SECURITIES**

### **Ownership of Securities by Directors and Executive Officers**

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We have stock ownership guidelines for our directors and our executive officers. Our stock ownership guideline for directors call for ownership of shares in an aggregate amount equal in value to \$250,000, to be satisfied prior to the fifth anniversary of the commencement of his or her directorship. For purposes of meeting our stock ownership guidelines, restricted stock units (whether vested or unvested) and shares of our common stock owned by a director are included. Our stock ownership guidelines for executive officers are described under Stock Ownership Guidelines in our Compensation Discussion and Analysis on page 34.

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The following table shows the number of shares of common stock owned beneficially, as of August 8, 2007, by (1) each current director and director nominee, (2) each current executive officer named in the Fiscal 2007 Summary Compensation Table in this proxy statement and (3) all of our current directors and executive officers as a group. The named individual has sole voting and investment power unless otherwise indicated.

Name	Number of Shares of Common Stock Beneficially Owned (1)(2)(3)	Percent of Outstanding Common Stock (4)
F. Guillaume Bastiaens	5,000	*
Raymond F. Bentele	40,318	*
Norman B. Beug	144,210	*
Phyllis E. Cochran	0	*
Fredric W. Corrigan	773,331(5)	*
Richard D. Frasch	0	*
William R. Graber	8,000	*
Robert L. Lumpkins	5,000	*
Richard L. Mack	47,694	*
Harold H. MacKay	31,250	*
David B. Mathis	41,117	*
William T. Monahan	7,000	*
Steven L. Pinney	39,195	*
James T. Prokopanko	60,462	*
Steven M. Seibert	0	*
Lawrence W. Stranghoener	140,173(6)	*
All directors and executive officers as a group (20 persons)	1,138,650	*

\* Represents less than 1% of the outstanding shares.

- (1) Beneficial ownership of securities is based on information furnished or confirmed by each director or executive officer described above.
- (2) Includes the following shares subject to stock options exercisable within 60 days of August 8, 2007: Mr. Bentele, 38,750 shares; Mr. Beug, 132,210 shares; Mr. Corrigan, 651,001 shares; Mr. Mack, 46,694 shares; Mr. MacKay, 26,250 shares; Mr. Mathis, 25,100 shares; Mr. Pinney, 39,195 shares; Mr. Prokopanko, 60,462 shares; Mr. Stranghoener, 115,747 shares; and all directors and executive officers as a group, 1,176,309 shares.
- (3) We have included stock options and restricted stock units only if they are exercisable, or vest, within 60 days of August 8, 2007. Restricted stock units that do not vest within that period include 12,753 held by each of Messrs. Bastiaens, Bentele, Graber, MacKay, Mathis, Monahan and Seibert; 5,512 held by Ms. Cochran; 116,418 held by Mr. Corrigan; and 25,506 held by Mr. Lumpkins.
- (4) Based on the total number of shares outstanding on August 8, 2007.
- (5) Includes 250 shares of common stock held by Mr. Corrigan's wife.
- (6) Includes 250 shares of common stock held by Mr. Stranghoener's three children.

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We believe that, as of August 8, 2007, based on filings with the Securities and Exchange Commission, or SEC, the following named organizations are the beneficial owners of more than 5% of our outstanding common stock.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percent of Outstanding Common Stock
Cargill, Incorporated (1) 15615 McGinty Road West Wayzata, Minnesota 55391	285,759,772	64.7%
Cargill Fertilizer, Inc. 15615 McGinty Road West Wayzata, Minnesota 55391	243,972,618	55.3%
GNS I (U.S.) Corp. 15615 McGinty Road West Wayzata, Minnesota 55391	30,155,221	6.8%

- (1) Includes 30,155,221 shares of common stock held by GNS I (U.S.) Corp. and 243,972,618 shares of common stock held by Cargill Fertilizer, Inc., both of which are wholly-owned subsidiaries of Cargill, Incorporated. Throughout this proxy statement, we sometimes refer to Cargill, Incorporated individually and/or one or more of its subsidiaries and affiliates (other than us) as Cargill. Our Investor Rights Agreement with Cargill restricts Cargill's ability to acquire or dispose of shares of our stock for specified time periods as described under Certain Relationships and Related Transactions Investor Rights Agreement.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who own more than 10% of our securities to file initial reports of ownership of those securities on Form 3 and reports of changes in ownership on Form 4 or Form 5 with the SEC. Specific due dates for these reports have been established by the SEC. We are required to disclose in this proxy statement any failure to timely file the required reports by these dates. Based solely on a review of the copies of these reports received by us and written representations from our directors and executive officers, we believe that our directors, executive officers and more than 10% stockholders complied with all Section 16(a) filing requirements for our fiscal year ended May 31, 2007, except that:

we filed a Form 4 on behalf of F. Guillaume Bastiaens one day late to report a grant of 4,207 restricted stock units due to an EDGAR filing code password change; and

Cargill filed one late Form 4 to report the automatic conversion of 5,458,955 shares of Class B common stock held by Cargill Fertilizer, Inc. into 35,177,450 shares of common stock on July 1, 2006.

**PROPOSAL NO. 1 ELECTION OF DIRECTORS**

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Our Board of Directors currently consists of eleven members and is divided into three classes. The members of each class are elected to serve a three-year term with the term of office for each class ending in consecutive years.

Four directors currently serve in the class of directors whose terms expire at the Annual Meeting. F. Guillaume Bastiaens, Raymond F. Bentele and William R. Graber, each of whom is currently serving in the class of directors whose terms expire at the Annual Meeting, will stand for re-election at the Annual Meeting for a three-year term expiring in 2010. Fredric W. Corrigan will retire from our Board of Directors at the Annual

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Meeting. The Board has nominated Richard D. Frasch for election at the Annual Meeting for a three-year term expiring in 2010 to replace Mr. Corrigan. Mr. Corrigan is serving as a Cargill Director pursuant to our Investor Rights Agreement with Cargill as described under Policies Relating to the Board of Directors Nomination and Selection of Directors. Mr. Frasch was identified as a candidate by Cargill in accordance with our Investor Rights Agreement with Cargill.

Following Mr. Bentele's re-election to the Board, which is assured, as described further below, the Board's retirement policy described elsewhere in this proxy statement provides that Mr. Bentele would submit his resignation in the year he attains the age of 72, i.e., in 2008, which would be prior to completion of his three-year term in 2010. Mr. Bentele is serving as an IMC Director pursuant to our Investor Rights Agreement with Cargill. We will fill any vacancy resulting from Mr. Bentele's resignation in accordance with our Certificate of Incorporation, our Bylaws and our Investor Rights Agreement with Cargill.

Bernard M. Michel, whose term of office as one of our directors was scheduled to expire at our annual meeting of stockholders in 2008, resigned effective August 14, 2007 because his service on another board to which he was recently elected would not permit him to continue to adequately fulfill his duties as one of our directors. Mr. Michel was one of our IMC Directors. We will fill this vacancy on our Board in accordance with our Certificate of Incorporation, our Bylaws and our Investor Rights Agreement with Cargill.

It is intended that the shares represented by the proxies named on the enclosed proxy card will be voted, unless authorization to do so is withheld, FOR the election of Messrs. Bastiaens, Bentele, Frasch and Graber to serve until the Annual Meeting of Stockholders in 2010 or until their respective successors have been duly elected and qualified. Directors shall be elected by a plurality of the votes of the shares of common stock present in person or by proxy at the Annual Meeting and entitled to vote in the election. Because Cargill has more than a majority of the votes of the shares of common stock and has, pursuant to our Investor Rights Agreement with Cargill, agreed to vote its shares in accordance with the recommendation by our Board of Directors in favor of Messrs. Bastiaens, Bentele, Frasch and Graber, their election is assured.

If one or more nominees should become unavailable to serve as a director, it is intended that shares represented by the enclosed proxy card will be voted for such substitute nominee or nominees as may be selected by the Board.

The names of the nominees for director and of those directors continuing in office, their ages, their principal occupations during the past five years, certain other directorships held, and their length of service, if any, on the Board are set forth below.

**Nominees for Election as Class III Directors Whose Terms Will Expire in 2010**

**F. Guillaume Bastiaens.** Age 64, director since October 2004. Mr. Bastiaens has served as Vice Chairman of Cargill since February 1998. Mr. Bastiaens has been a member of Cargill's Corporate Leadership Team since its inception in 1999 and has served as a director at Cargill since 1995. He joined Cargill in 1967 and has held various leadership positions in Cargill's processing and technology operations in Europe and the United States. Mr. Bastiaens serves as a director of Donaldson Company, Inc.

**Raymond F. Bentele.** Age 70, director since October 2004. Mr. Bentele is the retired President and Chief Executive Officer of Mallinckrodt Inc., having served in that capacity from 1982 to 1992. Mr. Bentele was Executive Vice President of Mallinckrodt Group Inc. (formerly known as IMCERA Group Inc.) from 1989 until his retirement. He is also a director of the AMCON Distributing Company and Leggett & Platt Inc. and previously served as a director of IMC Global Inc. from 1990 to 1991 and from June 1994 to October 2004.

**Richard D. Frasch.** Age 52. Mr. Frasch has served as Corporate Vice President of Cargill since July 2004. Mr. Frasch currently serves as a platform leader for Cargill's Ag & Farm Platform and has been a member of Cargill's Corporate Center since August 1999. Since joining Cargill in 1978, Mr. Frasch has held various positions, including president of Cargill Animal Nutrition from 1998 to 2004.



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**William R. Graber.** Age 64, director since October 2004. Mr. Graber is the retired Senior Vice President and Chief Financial Officer of McKesson Corporation, a healthcare services company. Mr. Graber held this position since joining McKesson in February 2000 through his retirement in May 2004. From 1991 to 1999, Mr. Graber was with Mead Corporation where, prior to becoming Vice President and Chief Financial Officer, he served as Controller and Treasurer. From 1965 to 1991, Mr. Graber held a variety of financial management positions at General Electric Company. Mr. Graber currently serves as a director of Solectron Corporation, Kaiser Permanente and Archimedes, Inc.

**The Board of Directors recommends a vote FOR the election of the four nominees listed above.**

**Class I Directors Whose Terms Expire in 2008**

**David B. Mathis.** Age 69, director since October 2004. Mr. Mathis has served as Chairman of Kemper Insurance Companies since November 2003. He was both Chairman and Chief Executive Officer of Kemper between February 1996 and November 2003. Mr. Mathis has held a variety of management positions at Kemper since joining the firm in 1960. He is currently a director of Thomas Group, Inc., and serves on the board of trustees of Lake Forest College. He previously served as a director of IMC Global Inc. from February 1995 to October 2004.

**James T. Prokopanko.** Age 54, director since October 2004. Mr. Prokopanko joined us as our Executive Vice President and Chief Operating Officer in July 2006 until being elected President and Chief Executive Officer effective January 1, 2007. Previously, he was a Corporate Vice President of Cargill from 2004 to 2006. He was Cargill's Corporate Vice President with executive responsibility for procurement from 2002 to 2006 and a platform leader of Cargill's Ag Producer Services Platform from 1999 to 2006. After joining Cargill in 1978, he served in a wide range of leadership positions, including being named Vice President of the North American crop inputs business in 1995. During his Cargill career, Mr. Prokopanko was engaged in retail agriculture businesses in Canada, the United States, Brazil, Argentina and the United Kingdom.

**Steven M. Seibert.** Age 52, director since October 2004. Mr. Seibert has operated The Seibert Law Firm in Tallahassee, Florida since January 2003 and represents private and public sector clients in environmental and land use matters. He is currently serving as the Executive Director of the Century Commission for a Sustainable Florida. Prior to starting a law practice, Mr. Seibert was Secretary of the Florida Department of Community Affairs from 1999 to 2003 and, before that, Mr. Seibert served as an elected County Commissioner representing Pinellas County, Florida from 1992 to 1999.

**Class II Directors Whose Terms Expire in 2009**

**Phyllis E. Cochran.** Age 55, director since October 2006. Ms. Cochran has served as the Senior Vice President and General Manager of the Parts Group of International Truck and Engine Corporation, the operating company of Navistar International Corporation, a truck and engine manufacturer, since January 2007. Previously, she served as Vice President and General Manager of the Parts Group of International Truck and Engine Corporation from January 2004 to December 2006. She also serves on Navistar's Executive Council. Ms. Cochran served as the Chief Executive Officer and General Manager of Navistar Financial Corporation, Navistar's captive finance company, from December 2002 to December 2003. Since joining Navistar in 1979, she has held various positions, including Vice President of Operations at Navistar Financial Corporation and other financial management roles.

**Robert L. Lumpkins.** Age 63, director since January 2004. Mr. Lumpkins retired as Vice Chairman of Cargill in October 2006. Mr. Lumpkins served as Chief Financial Officer of Cargill from 1989 to 2005. Mr. Lumpkins serves as a member of the Board of Directors of Ecolab, Inc. and Black River Asset Management. He also serves on the nonprofit board of Howard University.

**Harold H. MacKay.** Age 67, director since October 2004. Mr. MacKay has served as Counsel to the law firm MacPherson Leslie & Tyerman LLP ( MacPherson ) in Regina, Saskatchewan, Canada since 2005. Prior to that, Mr. MacKay was a partner of MacPherson from 1969 to 2004. He served as the Clifford Clark policy advisor to the Department of Finance of Canada from 2002 to 2004 and chaired the Task Force on the Future of

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the Canadian Financial Services Sector in 1997 and 1998. Mr. MacKay is the non-executive Chairman of the Board of Directors of Domtar Corporation and a director of The Toronto-Dominion Bank. He previously served as a director of The Vigoro Corporation from 1994 through its acquisition by IMC Global Inc. in 1996, and served as a director of IMC Global Inc. from 1996 to October 2004. He was made an Officer of the Order of Canada in 2002.

**William T. Monahan.** Age 60, director since October 2004. Mr. Monahan is the retired Chairman of the Board, President and Chief Executive Officer of Imation Corporation, a position which he held from 1996 until his retirement in 2004. Prior to the formation of Imation, he served as Group Vice President of 3M Company ( 3M ) responsible for its Electro and Communications Group, senior managing director of 3M's Italy business and Vice President of 3M's Data Storage Products Division. Mr. Monahan is currently a director of Hutchinson Technology Inc. and Pentair Inc.

### **Director Retiring From the Board at the 2007 Annual Meeting**

**Fredric W. Corrigan.** Age 64, director since January 2004. Mr. Corrigan served as our President and Chief Executive Officer from October 2004 until his retirement on January 1, 2007. Mr. Corrigan previously served as Executive Vice President of Cargill and as a member of Cargill's Corporate Leadership Team from 1999 to 2004. Since joining Cargill in 1966, he has held various positions, including Chairman of the Board of Cargill Fertilizer, Inc. from 1994 to 2004. Mr. Corrigan serves as a member of the board of directors and the lead director of Xcel Energy Inc.

## **CORPORATE GOVERNANCE**

Our Board of Directors oversees the management of our business and determines overall corporate policies. The Board's primary responsibilities are directing our fundamental operating, financial and other corporate strategies and evaluating the overall effectiveness of our management. Our Board currently consists of eleven members and is divided into three classes. The members of each class are elected to serve a three-year term with the term of office for each class ending in consecutive years.

### **Board Independence**

Because more than 50% of our voting power is held by Cargill, we have opted to be treated as a controlled company for purposes of the NYSE listing standards. As a result, the NYSE listing standards do not require our Board to be comprised of at least a majority of independent directors, or our Corporate Governance and Nominating Committee or our Compensation Committee to be comprised entirely of independent directors.

The NYSE listing standards do, however, require our Audit Committee to be comprised entirely of independent directors. The NYSE listing standards also require our Board to make a formal determination each year as to which of our directors are independent.

In addition to meeting the minimum standards of independence adopted by the NYSE, no director qualifies as independent under the NYSE listing standards unless our Board affirmatively determines that the director has no material relationship with us.

Our Board has adopted Director Independence Standards setting forth specific criteria by which the independence of our directors will be determined. These criteria include restrictions on the nature and extent of any affiliations directors and their immediate family members may have with us, our independent accountants, or any commercial or non-profit entity with which we have a relationship. A copy of our Director Independence Standards is available on our website at [www.mosaicco.com](http://www.mosaicco.com) under the Investors Corporate Governance caption.

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Our Board is comprised of a majority of directors who are independent within the meaning of the NYSE listing standards. Our Audit Committee is comprised solely of directors who are independent. The chair and a majority of the members of our Compensation Committee and of our Corporate Governance and Nominating Committee are independent.

Our Board has determined that Raymond F. Bentele, Phyllis E. Cochran, William R. Graber, Harold H. MacKay, David B. Mathis, Bernard M. Michel, William T. Monahan and Steven M. Seibert have no material relationships with us, satisfy all of the categorical standards of independence included in our Director Independence Standards and are independent. In making the independence determinations, our Corporate Governance and Nominating Committee reviewed all of our directors' relationships with us based primarily on a review of the responses of the directors to questions regarding employment, business, familial, compensation and other relationships with us and our management. James T. Prokopanko is not independent because he is our current President and Chief Executive Officer. Fredric W. Corrigan, our former President and Chief Executive Officer, is not independent because he has been employed by us within the past three years. Robert L. Lumpkins, our Chairman of the Board, is not independent because he previously served as Vice Chairman and Chief Financial Officer of Cargill. F. Guillaume Bastiaens is not independent because he is a current Vice Chairman of Cargill. Richard D. Frasch, a director nominee listed in this proxy statement, is not independent because he is an executive of Cargill.

### **Committees of the Board of Directors**

The Board has six committees, including the Executive Committee, the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, the Environmental, Health and Safety Committee and the Special Transactions Committee, each of which plays a significant role in the discharge of the Board's duties and obligations. The membership of each committee is set forth below. All of the members of the Audit Committee and the Special Transactions Committee, as well as the chairs of the Compensation Committee and of the Corporate Governance and Nominating Committee, are independent under NYSE listing standards. Each of the committees routinely meets in private session without the Chief Executive Officer or other members of management in attendance. Each of the six committees operates under a written charter. The charters are available on our website at [www.mosaicco.com](http://www.mosaicco.com) under the Investors Corporate Governance caption and are available in print free of charge to any stockholder upon written request addressed to our Corporate Secretary at The Mosaic Company, Atria Corporate Center, Suite E490, 3033 Campus Drive, Plymouth, Minnesota 55441.

#### ***Executive Committee***

Members:	Robert L. Lumpkins, <i>Chair</i>	William T. Monahan
	Raymond F. Bentele	James T. Prokopanko
	Harold H. MacKay	

The Executive Committee, which is comprised of our Chairman, our Chief Executive Officer, and the chairs of our Audit, Corporate Governance and Nominating, and Compensation Committees, did not meet during our 2007 fiscal year. The Executive Committee is responsible for acting on matters requiring action between Board meetings when it is unnecessary or impractical to convene the full Board, as determined by the chair of the committee.

#### ***Audit Committee***

Members:	Raymond F. Bentele, <i>Chair</i>	David B. Mathis
	Phyllis E. Cochran	William T. Monahan
	William R. Graber	

The Audit Committee is comprised of five directors. It met nine times during our 2007 fiscal year. The Board of Directors has determined that all of the members of the Audit Committee meet the existing



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independence and experience requirements of the NYSE and the SEC. The Board has further determined that William R. Graber is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K promulgated by the SEC. The responsibilities of the Audit Committee include, among other things:

the appointment, retention, compensation and oversight of the work of our independent registered public accounting firm;

reviewing the scope and results of the annual independent audit and quarterly reviews of our financial statements with the independent registered public accounting firm, management and internal auditor;

reviewing the internal audit plan and audit results;

reviewing the quality and adequacy of internal control systems with management, the internal auditor and the independent registered public accounting firm; and

reviewing with the independent registered public accounting firm and management the application and impact of new and proposed accounting rules, regulations, disclosure requirements and reporting practices on our financial statements and reports.

### ***Compensation Committee***

Members: William T. Monahan, *Chair* David B. Mathis

F. Guillaume Bastiaens Steven M. Seibert

Our Compensation Committee is comprised of four directors. Only directors who are not officers or employees of ours serve on our Compensation Committee. Although Mr. Bastiaens, a current member of our Compensation Committee, is not an officer or employee of ours, as discussed above under Director Independence, he is a Vice Chairman of Cargill and is therefore not independent within the meaning of the listing standards of The New York Stock Exchange. All of the other three current members of our Compensation Committee, including its chair, are independent. Our Compensation Committee met eight times during our 2007 fiscal year.

Among other responsibilities of our Compensation Committee are:

establishing, or recommending to our Board, the amount and nature of compensation paid to our executive officers;

overseeing the design and administration of our stock option, incentive and other executive benefit plans;

approving awards under our cash and equity incentive plans to our executive officers;

reviewing and approving, or recommending to our Board, severance, change in control and other termination arrangements for our executive officers;

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considering the competitiveness of our executive compensation and other compensation programs with respect to relevant industries and the business community generally; and

reviewing the succession plan for senior management other than our Chief Executive Officer.

Our Compensation Committee's charter provides that it may delegate its authority to a subcommittee of its members. Our Compensation Committee also may delegate its authority when authorized to do so by one of our compensation plans. Our Omnibus Stock and Incentive Plan expressly permits the Committee to delegate authority as it deems appropriate. As described under Policy on Deductibility of Compensation in our Compensation Discussion and Analysis on page 33, our Compensation Committee has delegated to a subcommittee composed of its independent directors the authority to make decisions which Section 162(m) of the Internal Revenue Code requires to be made by outside directors in order for our annual compensation to certain executive officers in excess of \$1 million to be deductible by us for federal income tax purposes as

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performance-based compensation. Our Compensation Committee has also from time to time delegated authority to its Chair to review and approve particular matters, including a final review of long-term incentive awards immediately prior to their date of grant with authority to determine that grants should not be made without further consideration by our Compensation Committee, as discussed under Compensation Components and Process Long-Term Variable Pay in our Compensation Discussion and Analysis. In our 2006 and 2007 fiscal years, our Compensation Committee also delegated to our Chief Executive Officer the authority to grant stock options, restricted stock units or stock appreciation rights under our Omnibus Stock and Incentive Plan. The delegations to our Chief Executive Officer were limited to a maximum of 30,000 shares in fiscal 2005 and 50,000 shares in fiscal 2006, and awards by him were required to be in the same form as other awards approved by our Compensation Committee.

Additional information about our Compensation Committee's responsibilities and its processes and procedures for consideration and determination of executive compensation is included in our Compensation Discussion and Analysis, including under the titles Role of Executive Officers in Compensation Decisions, Independent Compensation Consultant, and Compensation Components and Process.

***Corporate Governance and Nominating Committee***

Members:	Harold H. MacKay, <i>Chair</i>		
	Raymond F./TD>		
Accumulated other comprehensive loss	(21,300)	151,962	152,623
Total shareholders equity	562,527		(22,273)
	5	562,215	

**Consolidated Statements of Income:**

(Dollars in thousands, except per share data)

	<b>Three Months Ended March 31, 2005</b>	
	<b>As Originally Reported</b>	<b>As Restated</b>
Net interest income	\$ 49,987	\$ 49,987
Net cash settlement of interest rate swap derivatives		(74)
Total net interest income	49,987	49,913
Provision for loan losses	1,231	1,231
Net interest income after provision for loan losses	48,756	48,682
Non-interest income	23,236	23,236
Net cash settlement of interest rate swap derivatives		74
Change in fair value of interest rate swap derivatives		1,070
Total non-interest income	23,236	24,380
Total non-interest expense	48,304	48,304
Income before income taxes	23,688	24,758
Income tax expense	8,676	8,676
Income tax effect on restatement		409
Total income tax expense	8,676	9,085
Net income	\$ 15,012	\$ 15,673
Net income per share Diluted	\$ 0.65	\$ 0.68

**Consolidated Statements of Changes in Shareholders Equity:**

(Dollars in thousands)

	<b>Three Months Ended March 31, 2005</b>	
	<b>As Originally Reported</b>	<b>As Restated</b>
Balance, beginning of period	\$ 473,912	\$ 473,912
Increase attributable to net income	15,012	15,673
Unrealized gains on derivative instruments	1,078	106
Balance, end of period	562,527	562,215



**(2) Basis of Presentation**

The consolidated financial statements of Wintrust Financial Corporation and Subsidiaries presented herein are unaudited, but in the opinion of management reflect all necessary adjustments of a normal or recurring nature for a fair presentation of results as of the dates and for the periods covered by the consolidated financial statements.

Wintrust is a financial holding company currently engaged in the business of providing traditional community banking services to customers in the Chicago metropolitan area and southern Wisconsin. Additionally, the Company operates various non-bank subsidiaries.

As of March 31, 2005, Wintrust had 14 wholly-owned bank subsidiaries (collectively, Banks), eight of which the Company started as *de novo* institutions, including Lake Forest Bank & Trust Company (Lake Forest Bank), Hinsdale Bank & Trust Company (Hinsdale Bank), North Shore Community Bank & Trust Company (North Shore Bank), Libertyville Bank & Trust Company (Libertyville Bank), Barrington Bank & Trust Company, N.A. (Barrington Bank), Crystal Lake Bank & Trust Company, N.A. (Crystal Lake Bank), Northbrook Bank & Trust Company (Northbrook Bank), and Beverly Bank & Trust, N.A. (Beverly Bank). The Company acquired Advantage National Bank (Advantage Bank) in October 2003, Village Bank & Trust - Arlington Heights (Village Bank) in December 2003, Northview Bank and Trust (Northview Bank) in September 2004, Town Bank in October 2004, State Bank of The Lakes in January 2005 and First Northwest Bank on March 31, 2005. Northview Bank's two Northfield locations became branches of Northbrook Bank, its Mundelein location became a branch of Libertyville Bank and its Wheaton location was renamed Wheaton Bank & Trust (Wheaton Bank) in December 2004.

The Company provides loans to businesses to finance the insurance premiums they pay on their commercial insurance policies (premium finance receivables) on a national basis, through First Insurance Funding Corporation (FIFC). FIFC is a wholly-owned subsidiary of Crabtree Capital Corporation (Crabtree) which is a wholly-owned subsidiary of Lake Forest Bank.

Wintrust, through Tricom, Inc. of Milwaukee (Tricom), also provides high-yielding short-term accounts receivable financing (Tricom finance receivables) and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to the temporary staffing industry, with clients located throughout the United States. Tricom is a wholly-owned subsidiary of Hinsdale Bank.

The Company provides a full range of wealth management services through its trust, asset management and broker-dealer subsidiaries. Trust and investment services are provided at each of the Banks through the Company's wholly-owned subsidiary, Wayne Hummer Trust Company, N.A. (WHTC), a *de novo* company started in 1998 and formerly known as Wintrust Asset Management Company. Wayne Hummer Investments, LLC (WHI) is a broker-dealer providing a full range of private client and securities brokerage services to clients located primarily in the Midwest and is a wholly-owned subsidiary of North Shore Bank. Focused Investments, LLC (Focused) is a broker-dealer that provides a full range of investment services to individuals through a network of relationships with community-based financial institutions primarily in Illinois. Focused is a wholly-owned subsidiary of WHI. Wayne Hummer Asset Management Company (WHAMC) provides money management services and advisory services to individuals, institutions and municipal and tax-exempt organizations, as well as the Wayne Hummer Growth Fund in addition to portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHAMC is a wholly-owned subsidiary of Wintrust. Collectively WHI, WHAMC and Focused are referred to as the Wayne Hummer Companies.

In May 2004, the Company acquired SGB Corporation d/b/a WestAmerica Mortgage Company (WestAmerica) and its affiliate, Guardian Real Estate Services, Inc. (Guardian). WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides document preparation and other loan closing services to WestAmerica and a network of mortgage brokers. WestAmerica maintains principal origination offices in seven states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica and Guardian are wholly-owned subsidiaries of Barrington Bank. In connection with the acquisition of Northview Bank on September 30, 2004, the Company also acquired Northview Mortgage, LLC, a mortgage broker and a subsidiary of Wintrust.

Wintrust Information Technology Services Company provides information technology support, item capture, imaging and statement preparation services to the Wintrust subsidiaries and is a wholly-owned subsidiary of Wintrust. The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report and Form 10-K for the year ended December 31, 2004. Operating results for the three-month periods presented 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 change beyond management's expectations. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as information changes, the financial statements could reflect different estimates and assumptions. 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 currently views the determination of the allowance for loan losses, the valuation of the retained interest in the premium finance receivables sold and the valuations required for impairment testing of goodwill as the accounting areas that require the most subjective and complex judgments, and as such could be more subjective to revision as new information becomes available.

### **(3) 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.

### **(4) Available-for-sale Securities**

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

(Dollars in thousands)	March 31, 2005		December 31, 2004		March 31, 2004	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury	\$ 139,353	\$ 133,526	\$ 142,455	\$ 140,707	\$ 42,258	\$ 42,073
U.S. Government agencies	647,374	633,684	550,524	545,887	286,748	287,609
Municipal	56,928	56,664	25,481	25,412	14,658	14,774
Corporate notes and other debt	8,455	8,411	8,455	8,329	18,411	18,320
Mortgage-backed Federal Reserve/FHLB stock and other equity securities	626,851	610,498	539,074	533,726	261,235	258,294
	95,525	95,650	89,286	89,416	80,655	81,740
Total available-for-sale securities	\$ 1,574,486	\$ 1,538,433	\$ 1,355,275	\$ 1,343,477	\$ 703,965	\$ 702,810

**(5) Loans**

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

(Dollars in thousands)	March 31, 2005	December 31, 2004	March 31, 2004
<b>Balance:</b>			
Commercial and commercial real estate	\$ 2,850,089	\$ 2,465,852	\$ 1,751,364
Home equity	636,926	574,668	483,367
Residential real estate	281,385	248,118	177,514
Premium finance receivables	766,416	770,792	783,666
Indirect consumer loans	189,628	171,926	177,580
Tricom finance receivables	33,469	29,730	23,061
Other loans	100,811	87,260	68,189
<b>Total loans, net of unearned income</b>	<b>\$ 4,858,724</b>	<b>\$ 4,348,346</b>	<b>\$ 3,464,741</b>
<b>Mix:</b>			
Commercial and commercial real estate	58%	57%	50%
Home equity	13	13	14
Residential real estate	6	5	5
Premium finance receivables	16	18	23
Indirect consumer loans	4	4	5
Tricom finance receivables	1	1	1
Other loans	2	2	2
<b>Total loans, net of unearned income</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Indirect consumer loans include auto, boat, snowmobile and other indirect consumer loans. Premium finance receivables are recorded net of unearned income of \$17.3 million at March 31, 2005, \$16.9 million at December 31, 2004 and \$13.2 million at March 31, 2004. Total loans include net deferred loan fees and costs and fair value purchase accounting adjustments totaling \$2.1 million at March 31, 2005, \$1.7 million at December 31, 2004 and \$2.4 million at March 31, 2004.

**(6) Deposits**

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

(Dollars in thousands)	March 31, 2005	December 31, 2004	March 31, 2004
<b>Balance:</b>			
Non-interest bearing	\$ 581,828	\$ 505,312	\$ 362,643
NOW accounts	697,106	586,583	424,821
Wealth management deposits	390,819	390,129	337,520
Money market accounts	661,874	608,037	480,918
Savings accounts	290,551	215,697	187,285
Time certificates of deposit	3,303,907	2,798,976	2,279,158
<b>Total deposits</b>	<b>\$ 5,926,085</b>	<b>\$ 5,104,734</b>	<b>\$ 4,072,345</b>

**Mix:**

Non-interest bearing	<b>10%</b>	10%	9%
NOW accounts	<b>12</b>	11	10
Wealth management deposits	<b>6</b>	8	8
Money market accounts	<b>11</b>	12	12
Savings accounts	<b>5</b>	4	5
Time certificates of deposit	<b>56</b>	55	56
Total deposits	<b>100%</b>	100%	100%

Wealth management deposits represent FDIC-insured deposits at the Banks from brokerage customers of WHI and trust and asset management customers of WHTC.

**(7) Notes Payable, Federal Home Loan Bank Advances, Other Borrowings and Subordinated Notes:**

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

(Dollars in thousands)	March 31, 2005	December 31, 2004	March 31, 2004
Notes payable	\$ 6,000	\$ 1,000	\$ 1,000
Federal Home Loan Bank advances	336,965	303,501	194,023
Other borrowings:			
Federal funds purchased	4,341	78,576	
Securities sold under repurchase agreements	145,974	118,669	35,830
Wayne Hummer Companies funding			9,635
Other	4,676	4,679	3,700
Total other borrowings	154,991	201,924	49,165
Subordinated notes	50,000	50,000	50,000
Total notes payable, Federal Home Loan Bank advances, other borrowings and subordinated notes	\$ 547,956	\$ 556,425	\$ 294,188

The notes payable balance consists of a \$5.0 million note payable acquired in connection with the acquisition of Antioch and a \$1.0 million balance on a revolving loan agreement with an unaffiliated bank. The total amount of the agreement is \$51.0 million, comprised of a \$25.0 million revolving note that matured May 1, 2005, a \$25.0 million note that matures in February 2006 and a \$1.0 million note that matures in May 2013. The note that matured on May 1, 2005, was extended to June 1, 2005.

Securities sold under repurchase agreements represent short-term borrowings from brokers as well as sweep accounts in connection with master repurchase agreements at the Banks.

Other includes \$2.4 million of interest-bearing deferred purchase price related to the Company's acquisition of the Wayne Hummer Companies (which was paid in April 2005) and a \$2.0 million fixed-rate mortgage (which matured on May 1, 2005 and was renewed through June 1, 2006) related to the Company's Northfield banking office which was assumed in connection with the acquisition of Northview Bank in the third quarter of 2004.

**(8) Long-term Debt Trust Preferred Securities**

As of March 31, 2005 the Company owned 100% of the Common Securities of nine trusts, Wintrust Capital Trust I, Wintrust Trust Capital II, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Northview Capital Trust I, Town Bankshares Capital Trust I, and First Northwest Capital Trust I (the Trusts) set up to provide long-term financing. The Northview, Town and First Northwest capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., and First Northwest Bancorp, Inc., respectively. The Trusts were formed for purposes of issuing Trust Preferred Securities to third-party investors and investing the proceeds from the issuance of the Trust Preferred Securities and Common Securities solely in Subordinated Debentures (Debentures) issued by the Company, with the same maturities and interest rates as the Trust Preferred Securities. The Debentures are the sole assets of the Trusts. In each Trust the Common Securities represent approximately 3% of the Debentures and the Trust Preferred Securities represents approximately 97% of the Debentures.

The Trusts are reported in the Company's consolidated financial statements as unconsolidated subsidiaries. Accordingly, the Debentures, which include the Company's ownership interest in the Trusts, are reflected as Long-term debt trust preferred securities and the Common Securities are included in available-for-sale securities in the Company's Consolidated Statements of Condition.

The following table is a summary of the Company's Long-term debt trust preferred securities as of March 31, 2005. The Debentures represent the par value of the obligations owed to the Trusts and basis adjustments for the unamortized fair value adjustments recognized at the acquisition dates for the Northview, Town and First Northwest obligations.

(Dollars in thousands)

	Trust		Maturity	Earliest
	Preferred	Debentures	Date	Redemption
Issuance Trust	Securities			Date
Wintrust Capital Trust I	\$ 31,050	\$ 32,010	09/30/28	09/30/03
Wintrust Capital Trust II	20,000	20,619	06/30/30	06/30/05
Wintrust Capital Trust III	25,000	25,774	04/07/33	04/07/08
Wintrust Statutory Trust IV	20,000	20,619	12/08/33	12/31/08
Wintrust Statutory Trust V	40,000	41,238	05/11/34	06/30/09
Wintrust Capital Trust VII	50,000	51,550	03/15/35	03/15/10
Northview Capital Trust I	6,000	6,367	11/08/33	08/08/08
Town Bankshares Capital Trust I	6,000	6,412	11/08/33	08/08/08
First Northwest Capital Trust I	5,000	5,374	05/31/34	05/31/09
Total		\$ 209,963		

In the first quarter of 2005, interest rate swaps with a total notional amount of \$135 million were entered into to economically hedge the Debentures related to the long-term-debt trust preferred securities.

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the Trust Preferred Securities, in each case to the extent of funds held by the Trusts. The Company and the Trusts believe that, taken together, the obligations of the Company under the guarantees, the Debentures, and other related agreements provide, in the aggregate, a full, irrevocable and unconditional guarantee, on a subordinated basis, of all of the obligations of the Trusts under the Trust Preferred Securities. Subject to certain limitations, the Company has the right to defer the payment of interest on the Debentures at any time, or from time to time, for a period not to exceed 20 consecutive quarters. The Trust Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Debentures at maturity or their earlier redemption. The Debentures are redeemable in whole or in part prior to maturity at any time after the dates shown in the table, and earlier at the discretion of the Company if certain conditions are met, and, in any event, only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations.

The Trust Preferred Securities, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. On February 28, 2005, the Federal Reserve issued a final rule that retains Tier 1 capital treatment for trust preferred securities but with stricter limits. Under the rule, after a five-year transition period, the aggregate amount of the trust preferred securities and certain other capital elements will retain their current limit of 25% of Tier 1 capital elements, net of goodwill less any associated deferred tax liability. The amount of trust preferred securities and certain other capital elements in excess on the limit could be included in Tier 2 capital, subject to restrictions. Applying the final rule at March 31, 2005, the Company would still be considered well-capitalized under regulatory capital guidelines.

**(9) Segment Information**

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management to monitor and manage the financial performance of the Company. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. Inter-segment revenue and transfers are generally accounted for at current market prices. The net interest income and segment profit of the banking segment includes income and related interest costs from portfolio loans that were purchased from the premium finance segment. For purposes of internal segment profitability analysis, management reviews the results of its premium finance segment as if all loans originated and sold to the banking segment were retained within that segment's operations, thereby causing inter-segment eliminations. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates a portion of the net interest income earned by the Banking segment on deposits balances of customers of the wealth management segment to the wealth management segment. (See Wealth management deposits discussion in Deposits section of this report for more information on these deposits.) The following table presents a summary of certain operating information for each reportable segment for three months ended for the periods shown:

(Dollars in thousands)	Three Months Ended		\$ Change in Contribution	% Change in Contribution
	2005	March 31, 2004		
<b>Net interest income:</b>				
Banking	\$ 47,945	\$ 32,502	\$ 15,443	47.5%
Premium finance	10,927	13,027	(2,100)	(16.1)
Tricom	942	840	102	12.1
Wealth management	646	1,369	(723)	(52.8)
Parent and inter-segment eliminations	(10,547)	(11,230)	683	6.1
Total net interest income	\$ 49,913	\$ 36,508	\$ 13,405	36.7%
<b>Non-interest income:</b>				
Banking	\$ 12,124	\$ 7,434	\$ 4,690	63.1%
Premium finance	1,811	1,475	336	22.8
Tricom	1,015	942	73	7.7
Wealth management	8,816	9,465	(649)	(6.9)
Parent and inter-segment eliminations	614	(630)	1,244	197.5
Total non-interest income	\$ 24,380	\$ 18,686	\$ 5,694	30.5%
<b>Segment profit (loss):</b>				
Banking	\$ 15,143	\$ 10,460	\$ 4,683	44.8%
Premium finance	6,024	6,629	(605)	(9.1)
Tricom	394	274	120	43.8
Wealth management	(424)	575	(999)	(173.7)
Parent and inter-segment eliminations	(5,464)	(6,344)	880	13.9
Total segment profit	\$ 15,673	\$ 11,594	\$ 4,079	35.2%



**Segment assets:**

Banking	<b>\$ 7,311,937</b>	\$ 4,830,776	\$ 2,481,161	51.4%
Premium finance	<b>779,828</b>	811,406	(31,578)	(3.9)
Tricom	<b>45,859</b>	38,249	7,610	19.9
Wealth management	<b>73,057</b>	75,548	(2,491)	(3.3)
Parent and inter-segment eliminations	<b>(865,142)</b>	(793,206)	(71,936)	(9.1)
Total segment assets	<b>\$ 7,345,539</b>	\$ 4,962,773	\$ 2,382,766	48.0%

**(10) Derivative Financial Instruments**

Management uses derivative financial instruments to protect against the risk of interest rate movements on the value of certain assets and liabilities and on future cash flows. The instruments that have been used by the Company include interest rate caps with indices that relate to the pricing of specific liabilities, interest rate swaps and covered call and put options that relate to specific investment securities. In addition, interest rate lock commitments provided to customers for the origination of mortgage loans that will be sold into the secondary market as well as forward agreements the Company enters into to sell such loans to protect itself against adverse changes in interest rates are deemed to be derivative instruments.

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 which is determined based on the interaction of the notional amount of the contract with the underlying, and not the notional principal amounts used to express the volume of the transactions. Management monitors the market risk and credit risk associated with derivative financial instruments as part of its overall Asset/Liability management process.

In accordance with SFAS 133, the Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Derivative financial instruments are included in other assets or other liabilities, as appropriate, on the Consolidated Statements of Condition. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective hedges, are recorded as a component of other comprehensive income, net of deferred taxes. Changes in fair values of derivative financial instruments not qualifying as hedges pursuant to SFAS 133 are reported in income. Derivative contracts are valued using market values provided by the respective counterparties and are periodically validated by comparison with other third parties.

*Interest Rate Swaps*

The table below identifies the Company's interest rate swaps at March 31, 2005 and December 31, 2004 which were entered into to economically hedge certain interest-bearing liabilities.

		March 31, 2005				
	Notional	Fair	Receive	Pay	Counterparty's	
	Amount	Value	Rate	Rate	Call Option	
		Gain				
		(Loss)				
<b>Pay fixed, receive variable:</b>						
April 2033	\$ 25,000	101	5.91%	6.71%	April 2008	
December 2033	20,000	136	5.67%	6.40%	December	
May 2034	40,000	308	5.47%	6.27%	2008	
					June 2009	
March 2035	50,000	494	4.96%	5.68%	March	
October 2012	25,000	425	2.91%	4.23%	2010	
					NA	
Total	160,000	1,464				
<b>Receive fixed, pay variable:</b>						
September 2028	31,050	(504)	9.00%	5.42%	Any time	
Total	\$ 191,050	960				
December 31, 2004						
<b>Pay fixed, receive variable:</b>						
October 2012	\$ 25,000	(215)	2.40%	4.23%	NA	
<b>Receive fixed, pay variable:</b>						
September 2028	31,050	(129)	9.00%	4.84%	Any time	
Total	\$ 56,050	(344)				

These interest rate swaps were documented as being in hedging relationships at their inception date under the short-cut method of hedge accounting, but subsequently, the Company determined that the hedge documentation did not meet the standards of SFAS 133 for the short-cut method. A gain of approximately \$1 million was recognized in the quarter ended March 31, 2005 to record the market value of these swaps as of March 31, 2005, in earnings. The gain is included in other non-interest income.

*Mortgage Banking Derivatives*

The Company does not enter into derivatives for purely speculative purposes. However, certain derivatives have not been designated in a SFAS 133 hedge relationship. These derivatives include commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of

residential mortgage loans. It is the Company's practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. At March 31, 2005, the Company had approximately \$203 million of interest rate lock commitments and \$333 million of forward commitments for the future delivery of residential mortgage loans. The fair value of the interest rate locks was reflected by a derivative liability of approximately \$550,000 and the fair value of the forward commitments was reflected by a derivative asset of approximately \$1.3 million. The fair values were estimated based on changes in mortgage rates from the date of the commitments. Changes in the fair value of these mortgage banking derivatives is included in mortgage banking revenue.

*Other Derivatives*

The Company has also used interest rate caps to hedge cash flow variability of certain deposit products. However, no interest rate cap contracts were entered into in 2005 or 2004, and the Company had no interest rate cap contracts outstanding at March 31, 2005, December 31, 2004 or March 31, 2004.

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) or the right to sell certain securities to the Company at predetermined prices (put options). These option transactions are designed primarily to increase the total return associated with the investment securities portfolio. These options do not qualify as hedges pursuant to SFAS 133, and accordingly, changes in fair values of these contracts are recognized as other non-interest income. There were no covered call or put options outstanding as of March 31, 2005, December 31, 2004 or March 31, 2004.

**(11) Business Combinations**

The Company completed the two business combinations in the first quarter of 2005 and four business combinations in 2004. All were accounted under the purchase method of accounting; thus, the results of operations prior to their respective effective dates were not included in the accompanying consolidated financial statements. Goodwill, core deposit intangibles and other purchase adjustments were recorded upon the completion of each acquisition.

On March 31, 2005, Wintrust completed the acquisition of First Northwest Bancorp, Inc. ( FNBI ) and its wholly-owned subsidiary, First Northwest Bank. Since the acquisition was completed on March 31, 2005, the Consolidated Statement of Condition as of March 31, 2005, includes the assets and liabilities of FNBI, however the results of operations will be included in Wintrust's results of operations starting April 1, 2005. FNBI was acquired for a total purchase price of \$44.7 million, consisting of \$14.5 million cash, the issuance of 595,123 shares of Wintrust's common stock (then valued at \$30.0 million) and vested stock options valued at \$238,000.

In January, 2005, Wintrust completed the acquisition of Antioch Holding Company ( Antioch ) and its wholly-owned subsidiary, State Bank of The Lakes. Antioch's results of operations have been included in Wintrust's consolidated financial statements since January 1, 2005, the effective date of acquisition. Antioch was acquired for a total purchase price of \$95.4 million of cash.

In October, 2004, Wintrust completed the acquisition of Town Bankshares, Ltd. ( Town ) and its wholly-owned subsidiary, Town Bank. Town's results of operations have been included in Wintrust's consolidated financial statements since October 1, 2004, the effective date of acquisition. Town was acquired for a total purchase price of \$41.1 million, consisting of \$17.0 million cash, the issuance of 372,535 shares of Wintrust's common stock (then valued at \$20.6 million) and vested stock options valued at \$3.5 million.

In September 2004, Wintrust completed the acquisition of Northview Financial Corporation ( Northview ) and its wholly-owned subsidiaries, Northview Bank and Northview Mortgage, LLC. Northview's results of operations have been included in Wintrust's consolidated financial statements since September 30, 2004, the effective date of acquisition. Northview was acquired for a total purchase price of \$48.0 million, consisting of \$21.0 million cash, the issuance of 457,148 shares of Wintrust's common stock (then valued at \$25.1 million) and vested stock options valued at \$1.9 million. On December 13, 2004, Northview Bank's two branches in Northfield became branches of Northbrook Bank, its Mundelein branch became a branch of Libertyville Bank and its bank charter was moved to its Wheaton branch and the bank was renamed Wheaton Bank & Trust Company.

In May 2004, Wintrust completed its acquisition of SGB Corporation d/b/a WestAmerica Mortgage Company ( WestAmerica ) and WestAmerica's affiliate, Guardian Real Estate Services, Inc. ( Guardian ). WestAmerica and Guardian's results of operations have been included in Wintrust's consolidated financial statements since May 1, 2004, the effective date of acquisition. WestAmerica and Guardian were acquired for a total purchase price of \$19.5 million, consisting of \$11.0 million cash and the issuance of 180,438 shares of Wintrust's common stock (then valued at \$8.5 million). Wintrust is obligated to pay additional contingent consideration in connection with this acquisition upon WestAmerica's and Guardian's attainment of certain net income levels over each of the next five years. The additional consideration, if any, will be recorded when the additional consideration is deemed, beyond a reasonable doubt, to have been earned.

**(12) Goodwill and Other Intangible Assets**

In accordance with the provisions of SFAS 142, *Goodwill and Other Intangible Assets*, Wintrust ceased amortizing goodwill effective January 1, 2002. SFAS 142 requires the testing of goodwill and intangible assets with indefinite useful lives for impairment at least annually. In addition, it requires amortizing intangible assets with definite useful lives over their respective estimated useful lives to their estimated residual values, and reviewing them for impairment in accordance with SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

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

(Dollars in thousands)	January 1, 2005	Goodwill Acquired	Impairment Losses	March 31, 2005
Banking	\$ 91,011	\$ 82,941	\$	<b>\$ 173,952</b>
Premium finance				
Tricom	8,958			<b>8,958</b>
Wealth management	13,492	147		<b>13,639</b>
Parent and other				
<b>Total</b>	<b>\$ 113,461</b>	<b>\$ 83,088</b>	<b>\$</b>	<b>\$ 196,549</b>

The goodwill acquired in the first quarter of 2005 relates to \$53.6 million recorded in connection with the acquisition of Antioch and \$29.8 million in connection with the acquisition of FNBI, offset by a reduction in goodwill of approximately \$467,000 related to prior estimates of fair values associated with the September 2004 Northview acquisition.

The increase in goodwill in the wealth management segment represents additional contingent consideration earned by the former owners of Lake Forest Capital Management (LFCM) as a result of attaining certain performance measures pursuant to the terms of the LFCM purchase agreement. Wintrust could pay additional consideration pursuant to this transaction over the next two years. LFCM was merged into WHAMC.

At March 31, 2005 and 2004, Wintrust had \$20.1 million and \$3.4 million, respectively, in unamortized finite-lived intangible assets, classified on the Consolidated Statement of Condition as other intangible assets. These other intangible assets relate to the portion of the purchase price assigned to the value of core deposit intangibles in each of the banking acquisitions and the value of customer lists in the acquisitions of WHAMC and LFCM. Core deposit intangibles and wealth management customer lists accounted for \$18.6 million and \$1.5 million, respectively, of the other intangible assets as of March 31, 2005. Core deposit intangibles are being amortized on an accelerated basis over ten-year periods and the values assigned to the customer lists of LFCM and WHAMC are being amortized on an accelerated basis over seven years.

Estimated amortization expense on finite-lived intangible assets for the years ended 2005 through 2009 are as follows:

(Dollars in thousands)

Actual in 3 months ended March 31, 2005	\$ 755
Estimated remaining in 2005	2,645
Estimated 2006	2,940
Estimated 2007	2,411
Estimated 2008	2,034
Estimated 2009	1,861

**(13) Stock-Based Compensation Plans**

The Company follows Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock option plans. APB 25 uses the intrinsic value method and provides that compensation expense for employee stock options is generally not recognized if the exercise price of the option equals or exceeds the fair value of the stock on the date of grant. The Company follows the disclosure requirements of SFAS 123, Accounting for Stock-Based Compensation (as amended by SFAS 148), rather than the recognition provisions of SFAS 123, as allowed by the statement. Compensation expense for restricted share awards is ratably recognized over the period of service, usually the restricted period, based on the fair value of the stock on the date of grant.

The following table reflects the Company's pro forma net income and earnings per share as if compensation expense for the Company's stock options, determined based on the fair value at the date of grant consistent with the method of SFAS 123, had been included in the determination of the Company's net income:

(Dollars in thousands, except per share data)	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2005</b>	<b>2004</b>
Net income		
As reported	<b>\$ 15,673</b>	\$ 11,594
Compensation cost of stock options based on fair value, net of related tax effect	<b>(729)</b>	(527)
Pro forma	<b>\$ 14,944</b>	\$ 11,067
Earnings per share - Basic		
As reported	<b>\$ 0.72</b>	\$ 0.58
Compensation cost of stock options based on fair value, net of related tax effect	<b>(0.04)</b>	(0.03)
Pro forma	<b>\$ 0.68</b>	\$ 0.55
Earnings per share - Diluted		
As reported	<b>\$ 0.68</b>	\$ 0.54
Compensation cost of stock options based on fair value, net of related tax effect	<b>(0.03)</b>	(0.02)
Pro forma	<b>\$ 0.65</b>	\$ 0.52

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model is sensitive to changes in the subjective assumptions, which can materially affect the fair value estimates. As a result, the pro forma amounts indicated above may not be representative of the effects on reported net income for future years.

Included in the determination of net income as reported is compensation expense related to restricted share awards of \$575,000 (\$355,000 net of tax) in the first quarter of 2005 and \$174,000 (\$107,000 net of tax) in the first quarter of 2004.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS 123R, Share-Based Payment, which revises SFAS 123, Accounting for Stock Based Compensation and supersedes APB 25, Accounting for Stock-Based Compensation. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. In the first quarter of 2005 the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 which provided further clarification on the implementation of SFAS 123R.





Alternative phase-in methods are allowed under Statement No. 123R, which was to be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The SEC announced in the second quarter of 2005 that it would extend this phase-in period and, therefore, Wintrust's effective date for implementation of SFAS 123R is January 1, 2006. The Company plans to adopt the modified prospective method provided for in SFAS 123R, in which compensation cost is recognized for all equity awards granted after the effective date based on the requirements of SFAS 123R and, for all equity awards granted prior to the effective date that remain unvested on the effective date based on the requirements of SFAS 123. SFAS 123R requires an entity to recognize compensation expense based on an estimate of the number of awards expected to actually vest, exclusive of awards expected to be forfeited. As permitted by SFAS 123, the Company currently accounts for stock options granted to employees using APB 25's intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS 123R in prior periods, the impact of that standard would have approximated the impact of SFAS 123 as described in the disclosure of pro forma net income and earnings per share previously in this Note. Wintrust expects to adopt SFAS 123R on January 1, 2006.

**(14) Earnings Per Share**

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
(Dollars in thousands, except per share data)	<b>2005</b>	2004
Net income	<b>\$ 15,673</b>	\$ 11,594
Average common shares outstanding	<b>21,831</b>	20,148
Effect of dilutive common shares	<b>1,215</b>	1,328
Weighted average common shares and effect of dilutive common shares	<b>23,046</b>	21,476
Net income per average common share:		
Basic	<b>\$ 0.72</b>	\$ 0.58
Diluted	<b>\$ 0.68</b>	\$ 0.54

The effect of dilutive common shares outstanding results from stock options, restricted stock unit awards, stock warrants, and shares to be issued under the Employee Stock Purchase Plan and the Directors Deferred Fee and Stock Plan, all being treated as if they had been either exercised or issued, computed by application of the treasury stock method.

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

The following discussion and analysis of financial condition as of March 31, 2005, compared with December 31, 2004, and March 31, 2004, and the results of operations for the three-month periods ended March 31, 2005 and 2004 should be read in conjunction with the Company's unaudited consolidated financial statements and notes contained in this report. 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.

**Restatement**

Wintrust is filing this amendment to its Quarterly Report on Form 10-Q to amend and restate financial statements and other financial information to correct errors related to the Company's accounting under Statement of Financial Accounting Standards 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (SFAS 133), for interest rate swap agreements entered into in connection with certain debentures related to trust preferred securities and subordinated debt.

In the first quarter of 2006, the Company became aware that, in light of recent informal technical interpretations, the interpretation with respect to applying the method of hedge accounting under paragraph 65 of SFAS No. 133 (commonly referred to as the "short-cut" method) that the Company had used for certain interest rate swaps on its Debt Transactions may not be correct. After further examination and discussions with its independent registered public accounting firm, the Company and its Audit Committee concluded that the swap transactions did not qualify for the short-cut method because of the amortizing nature of the subordinated debt and an interest deferral feature of the trust preferred securities that permits interest payments to be deferred for a period of up to five years without creating an event of default or acceleration. Therefore, since the documentation of the hedge relationship at the inception of the hedge did not require ongoing assessments of effectiveness and SFAS 133 does not allow for application of the "long-haul" method retrospectively, the swaps did not qualify for hedge accounting and must be marked to market from their inception, with the result that any fluctuations in the market value of the interest rate swaps should have been recorded through the income statement. There is no effect on cash flows from these revisions. The Company is currently considering whether to re-designate the interest rate swaps associated with these transactions as hedges under the "long-haul" accounting method in order to qualify them going forward for hedge accounting under SFAS No. 133.

For additional information on the restatement see Note 1, Restatement, of the Financial Statements presented under Item 1 of this report.

**Overview and Strategy**

Wintrust is a financial holding company engaged in the business of providing traditional community banking services as well as a full array of wealth management services to customers in the Chicago metropolitan area and Southern Wisconsin. Additionally, the Company operates other financing businesses on a national basis through several non-bank subsidiaries.

**Community Banking**

The Company's community banking franchise consists of 14 community banks (the "Banks") with 58 locations. The Company developed its banking franchise through the *de novo* organization of eight banks (41 locations) and the purchase of six banks with 17 locations. Two banks were purchased in the first quarter of 2005 - State Bank of The Lakes with five banking offices and First Northwest Bank with two banking offices. Wintrust's first bank was organized in December 1991, as a highly personal service-oriented community bank. Each of the banks organized or acquired since then share that same commitment to community banking. The Company has grown to \$7.35 billion in total assets at March 31, 2005 from \$4.96 billion in total assets at March 31, 2004, an increase of 48%. The historical financial performance of the Company has been affected by costs associated with growing market share in deposits and loans, establishing and acquiring banks, opening new branch facilities and building an experienced management team. The Company's financial performance generally reflects the improved profitability of its operating subsidiaries as they mature, offset by the costs of establishing and acquiring banks and opening new branch facilities. The

Company's experience has been that it generally takes 13 to 24 months for new banks to first achieve operational profitability depending on the number and timing of branch facilities added.

The following table presents the Banks in chronological order based on the year in which they joined Wintrust. Each of the Banks, except Beverly Bank, has established additional full-service banking facilities subsequent to their initial openings.

	<i>De novo / Acquired</i>	Date
Lake Forest Bank	<i>De novo</i>	December, 1991
Hinsdale Bank	<i>De novo</i>	October, 1993
North Shore Bank	<i>De novo</i>	September, 1994
Libertyville Bank	<i>De novo</i>	October, 1995
Barrington Bank	<i>De novo</i>	December, 1996
Crystal Lake Bank	<i>De novo</i>	December, 1997
Northbrook Bank	<i>De novo</i>	November, 2000
Advantage Bank ( <i>organized 2001</i> )	Acquired	October, 2003
Village Bank ( <i>organized 1995</i> )	Acquired	December, 2003
Beverly Bank	<i>De novo</i>	April, 2004
Wheaton Bank ( <i>formerly Northview Bank; organized 1993</i> )	Acquired	September, 2004
Town Bank ( <i>organized 1998</i> )	Acquired	October, 2004
State Bank of The Lakes ( <i>organized 1894</i> )	Acquired	January, 2005
First Northwest Bank ( <i>organized 1995</i> )	Acquired	March, 2005

Following is a summary of the Company's banking expansion during the twelve months ended March 31, 2005:

#### **2005 Banking Expansion Activity**

*New branch locations:*

Ø Palatine Bank & Trust, a branch of Barrington Bank

*Acquisitions:*

Ø State Bank of The Lakes, with locations in Antioch, Lindenhurst, Grayslake, Spring Grove and McHenry

Ø First Northwest Bank, with two locations in Arlington Heights

#### **2004 Banking Expansion Activity**

*New bank organized:*

Ø Beverly Bank & Trust

*New branch locations:*

Ø Buffalo Grove Bank & Trust, a branch of Northbrook Bank

Ø Highland Park Bank & Trust – Ravinia, a branch of Lake Forest Bank

Ø Gurnee Community Bank, a branch of Libertyville Bank

Ø Lake Villa Community Bank, a branch of Libertyville Bank

Ø Sauganash, a branch of North Shore Community Bank

*Acquisitions:*

Ø Northview Bank, with two locations in Northfield (which became branches of Northbrook Bank), one location in Mundelein (which became a branch of Libertyville Bank) and one location in Wheaton (*which was renamed Wheaton Bank & Trust*)

Ø Town Bank, with locations in Delafield and Madison, Wisconsin

While committed to a continuing growth strategy, management's ongoing focus is also to balance further asset growth with earnings growth by seeking to more fully leverage the existing capacity within each of the operating subsidiaries. One aspect of this strategy is to continue to pursue specialized earning asset niches in order to maintain the mix of

earning assets in higher-yielding loans as well as diversify the loan portfolio. Another aspect of this strategy is a continued focus on less aggressive deposit pricing at the Banks with significant market share and more established customer bases.

***Specialty Lending***

First Insurance Funding Corporation ( FIFC ) is the Company's most significant specialized earning asset niche, originating \$681 million in loan (premium finance receivables) volume in the first quarter of 2005, compared to \$676 million in the first quarter of 2004. Although business has increased in terms of the number of new loans originated, a softer market has resulted in a lower average loan size in the first quarter of 2005 as compared to the same period of last year. FIFC makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the United States. The insurance premiums financed are primarily for commercial customers' purchases of liability, property and casualty and other commercial insurance. This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment may be more susceptible to third party fraud. The majority of these loans are purchased by the Banks in order to more fully utilize their lending capacity. These loans generally provide the Banks higher yields than alternative investments. However, as a result of continued strong loan origination volume in 2005, FIFC sold approximately \$146 million, or 22%, of the receivables generated in the first quarter of 2005 to an unrelated third party with servicing retained. The Company began selling the excess of FIFC's originations over the capacity to retain such loans within the Banks' loan portfolios in 1999. The Company's strategy is to maintain its average loan-to-deposit ratio in the range of 85-90% as well as to be asset-driven and it achieves both of these objectives through the sale of premium finance receivables. During the first quarter of 2005, the Company's average loan-to-deposit ratio was 87%. In addition to recognizing gains on the sale of these receivables, the proceeds provide the Company with additional liquidity. Consistent with the Company's strategy to be asset-driven, it is probable that similar sales of these receivables will occur in the future; however, future sales of these receivables depend on the level of new volume growth in relation to the capacity to retain such loans within the Banks' loan portfolios.

As part of its continuing strategy to enhance and diversify its earning asset base and revenue stream, in May 2004, the Company acquired SGB Corporation d/b/a WestAmerica Mortgage Company ( WestAmerica ) and WestAmerica's affiliate, Guardian Real Estate Services, Inc. ( Guardian ). WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides the document preparation and other loan closing services to WestAmerica and a network of mortgage brokers. WestAmerica sells its loans with servicing released and does not currently engage in servicing loans for others. WestAmerica maintains principal origination offices in seven states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica will provide the Banks with an enhanced loan origination and documentation system which should allow each firm to better utilize existing operational capacity and improve the product offering for the Banks' customers. WestAmerica's production of adjustable rate mortgage loan products and other variable rate mortgage loan products may be retained by the Banks in their loan portfolios resulting in additional earning assets to the combined organization, thus adding further desired diversification to the Company's earning asset base. In connection with the Company's acquisition of Northview Bank in September 2004, the Company also acquired Northview Mortgage, LLC, a mortgage broker. Mortgage banking activities are also performed by the Banks. In October 1999, the Company acquired Tricom as part of its continuing strategy to pursue specialized earning asset niches. Tricom is a company based in the Milwaukee area that has been in business since 1989 and specializes in providing high-yielding, short-term accounts receivable financing and value-added, out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to clients in the temporary staffing industry. Tricom's clients, located throughout the United States, provide staffing services to businesses in diversified industries. These receivables may involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral. The principal sources of repayments on the receivables are payments to borrowers from their customers who are located throughout the United States. The Company mitigates this risk by employing lockboxes and other cash management techniques to protect its interests. By virtue of the Company's funding resources, this acquisition has provided Tricom with additional capital necessary to expand its financing services in a national market. Tricom's revenue principally consists of interest income from financing activities and fee-based revenues from administrative services.



In addition to the earning asset niches provided by the Company's non-bank subsidiaries, several earning asset niches operate within the Banks, including indirect auto lending which is conducted through Hinsdale Bank and Barrington Bank's Community Advantage program that provides lending, deposit and cash management services to condominium, homeowner and community associations. In addition, Hinsdale Bank operates a mortgage warehouse lending program that provides loan and deposit services to mortgage brokerage companies located predominantly in the Chicago metropolitan area, and Crystal Lake Bank has developed a specialty in small aircraft lending which is operated through its North American Aviation Financing division. The Company continues to pursue the development and/or acquisition of other specialty lending businesses that generate assets suitable for bank investment and/or secondary market sales. The Company is not pursuing growth in indirect auto lending, however, and anticipates that the indirect auto loan portfolio will comprise a smaller portion of the net loan portfolio in the future.



**Wealth Management**

Wintrust's strategy also includes building and growing its wealth management business, which includes trust, investment, asset management and securities brokerage services marketed primarily under the Wayne Hummer name. In February 2002, the Company completed its acquisition of the Wayne Hummer Companies, comprising Wayne Hummer Investments LLC ( WHI ), Wayne Hummer Management Company (subsequently renamed Wayne Hummer Asset Management Company WHAMC ) and Focused Investments LLC ( Focused ), each based in the Chicago area. To further augment its wealth management business, in February 2003, the Company acquired Lake Forest Capital Management ( LFCM ), a registered investment advisor. LFCM was merged into WHAMC.

WHI, a registered broker-dealer, provides a full-range of investment products and services tailored to meet the specific needs of individual investors throughout the country, primarily in the Midwest. Although headquartered in Chicago, WHI also operates an office in Appleton, Wisconsin. As of March 31, 2005, WHI has also established branch locations in offices at Lake Forest Bank, Hinsdale Bank, Libertyville Bank, Barrington Bank, Crystal Lake Bank, Advantage Bank, North Shore Bank, Wheaton Bank, and Town Bank. The Company plans to open WHI offices at each of the Banks. WHI is a member of the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers. Focused, a NASD member broker/dealer, is a wholly-owned subsidiary of WHI and provides a full range of investment services to clients through a network of relationships with unaffiliated community-based financial institutions located primarily in Illinois.

WHAMC, a registered investment advisor, is the investment advisory affiliate of WHI, provides money management and advisory services to individuals and institutional municipal and tax-exempt organizations, as well as the Wayne Hummer Growth Fund. WHAMC also provides portfolio management and financial supervision for a wide-range of pension and profit sharing plans.

In September 1998, the Company formed a trust subsidiary to expand the trust and investment management services that were previously provided through the trust department of Lake Forest Bank. The trust subsidiary, originally named Wintrust Asset Management Company, was renamed in May 2002 to Wayne Hummer Trust Company ( WHTC ), to bring together the Company's wealth management subsidiaries under a common brand name. In addition to offering trust and investment services to existing bank customers at each of the Banks, the Company believes WHTC can successfully compete for trust business by targeting small to mid-size businesses and affluent individuals whose needs command the personalized attention offered by WHTC's experienced trust professionals. Services offered by WHTC typically include traditional trust products and services, as well as investment management services. The following table presents a summary of the approximate amount of assets under administration and/or management in the Company's wealth management operating subsidiaries as of the dates shown:

(Dollars in thousands)	<b>March 31, 2005</b>	December 31, 2004	March 31, 2004
WHTC	<b>\$ 628,383</b>	\$ 633,053	\$ 600,623
WHAMC <sup>(1)</sup>	<b>836,171</b>	854,327	817,915
WHAMC's proprietary mutual funds	<b>173,552</b>	187,080	187,991
WHI brokerage assets in custody	<b>5,000,000</b>	5,100,000	4,800,000

<sup>(1)</sup> Excludes the proprietary mutual funds managed by WHAMC

The decreases in the valuations of assets under management and/or administration in the wealth management business as of March 31, 2005, as compared to December 31, 2004, reflect the recent declines in the overall equity market. The decrease in the managed assets in WHAMC's proprietary mutual funds from the first quarter of 2004 relates to the liquidation of two of the Wayne Hummer funds—the Income Fund in the second quarter of 2004 and the Core Portfolio Fund in the first quarter of 2005. These funds had a combined balance of \$27.1 million as of March 31, 2004. The

Core Portfolio Fund consisted of \$12.0 million as of December 31, 2004.

**RESULTS OF OPERATIONS****Earnings Summary**

The Company's key operating measures, as compared to the same period last year, are shown below:

(Dollars in thousands, except per share data)	<b>Three Months Ended</b>		Percentage (%)/ Basis Point (bp) Change
	<b>March 31, 2005</b>	March 31, 2004	
Net income	<b>\$ 15,673</b>	\$ 11,594	35%
Net income per common share Diluted	<b>0.68</b>	0.54	26
Net revenue <sup>(1)</sup>	<b>74,293</b>	55,194	35
Net interest income	<b>49,913</b>	36,508	37
Net interest margin <sup>(5)</sup>	<b>3.21%</b>	3.26%	(5)bp
Core net interest margin <sup>(2) (5)</sup>	<b>3.42</b>	3.38	4
Net overhead ratio <sup>(3)</sup>	<b>1.39</b>	1.27	12
Efficiency ratio <sup>(4) (5)</sup>	<b>64.75</b>	62.82	193
Return on average assets	<b>0.91</b>	0.94	(3)
Return on average equity	<b>13.24</b>	13.10	14
<b>At end of period:</b>			
Total assets	<b>\$7,345,539</b>	\$4,962,773	48%
Total loans	<b>4,858,724</b>	3,464,741	40
Total deposits	<b>5,926,085</b>	4,072,345	46
Total long-term debt trust preferred securities	<b>209,963</b>	98,963	112
Total shareholders' equity	<b>562,215</b>	369,008	52
Book value per common share	<b>23.98</b>	18.26	31
Market price per common share	<b>47.09</b>	48.63	(3)
Allowance for loan losses to total loans	<b>0.81%</b>	0.78%	3bp
Non-performing assets to total assets	<b>0.35</b>	0.42	(7)

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

(2) *The core net interest margin excludes the net interest expense associated with Wintrust's Long-term Debt*

*Trust Preferred  
Securities.*

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

(4) *The efficiency ratio is calculated by dividing total non-interest expense by tax-equivalent net revenue (less securities gains or losses). A lower ratio indicates more efficient revenue generation.*

(5) *See following section titled, Supplemental Financial Measures/Ratios for additional information on this performance measure/ratio.*

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

**Supplemental Financial Measures/Ratios**

The accounting and reporting policies of Wintrust conform to generally accepted accounting principles ( GAAP ) in the United States and prevailing practices in the banking industry. However, certain non-GAAP performance measures and ratios are used by management to evaluate and measure the Company's performance. These include taxable-equivalent net interest income (including its individual components), net interest margin (including its individual components), core net interest margin and the efficiency ratio. Management believes that these measures and ratios provide users of the Company's financial information a more meaningful view of the performance of interest-earning assets and interest-bearing liabilities and of the Company's operating efficiency. Other financial holding companies may define or calculate these measures and ratios differently.

Management reviews yields on certain asset categories and the net interest margin of the Company and its banking subsidiaries on a fully taxable-equivalent ( FTE ) basis. In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a FTE basis is also used in the calculation of the Company's efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce on dollar of revenue. Securities gains or losses are excluded from this calculation to better match revenue from daily operations to operational expenses.

Management also evaluates the net interest margin excluding the net interest expense associated with the Company's Long-term debt trust preferred securities ( Core Net Interest Margin ). Because these instruments are utilized by the Company primarily as capital instruments, management finds it useful to view the net interest margin excluding this expense and deems it to be a more meaningful view of the operational net interest margin of the Company.

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:

	<b>Three Months Ended</b>	
	<b>March</b>	
(Dollars in thousands)	<b>31, 2005</b>	March 31, 2004
<b>(A) Interest income (GAAP)</b>	<b>\$ 87,322</b>	\$ 58,754
Taxable-equivalent adjustment:		
Loans	<b>153</b>	104
Liquidity management assets	<b>147</b>	69
Other earning assets	<b>6</b>	14
Interest income FTE	<b>87,628</b>	58,941
<b>(B) Interest expense (GAAP)</b>	<b>37,409</b>	22,246
Net interest income FTE	<b>\$ 50,219</b>	\$ 36,695
<b>(C) Net interest income (GAAP) (A minus B)</b>	<b>\$ 49,913</b>	\$ 36,508
Net interest income FTE	<b>\$ 50,219</b>	\$ 36,695
Add: Interest expense on long-term debt trust preferred securities, net <sup>(1)</sup>	<b>3,314</b>	1,396
Core net interest income FTE <sup>(2)</sup>	<b>\$ 53,533</b>	\$ 38,091

<b>(D) Net interest margin (GAAP)</b>	<b>3.18%</b>	3.24%
Net interest margin FTE	<b>3.21%</b>	3.26%
Core net interest margin FTE <sup>(2)</sup>	<b>3.42%</b>	3.38%
<b>(E) Efficiency ratio (GAAP)</b>	<b>65.02%</b>	63.04%
Efficiency ratio FTE	<b>64.75%</b>	62.82%

(1) *Interest expense from the long-term debt trust preferred securities is net of the interest income on the Common Securities owned by the Trusts and included in interest income.*

(2) *Core net interest income and core net interest margin are by definition non-GAAP measures/ratios. The GAAP equivalents are the net interest income and net interest margin determined in accordance with GAAP (lines C and D in the table).*

### **Critical Accounting Policies**

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as information changes, the financial statements could reflect different estimates and assumptions. 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. The determination of the allowance for loan losses, the valuation of the retained interest in the premium finance receivables sold and the valuations required for impairment testing of goodwill are the areas that require the most subjective and complex judgments, and as such could be most subject to revision as new information becomes available. For a more detailed discussion on these critical accounting policies, see *Summary of Critical Accounting Policies* on page 74 of the Company's Annual Report to shareholders for the year ended December 31, 2004.

### **Net Income**

Net income for the quarter ended March 31, 2005 totaled \$15.7 million, an increase of \$4.1 million, or 35%, over the \$11.6 million recorded in the first quarter of 2004. On a per share basis, net income for the first quarter of 2005 totaled \$0.68 per diluted common share, an increase of \$0.14 per share, or 26%, as compared to the 2004 first quarter total of \$0.54 per diluted common share. The return on average equity for the first quarter of 2005 was 13.24%, compared to 13.10% for the prior year quarter.

Wintrust acquired several operating companies since January 2004, including WestAmerica and Guardian (effective May 1, 2004), Northview Bank and Northview Mortgage, LLC (effective September 30, 2004), Town Bank (effective October 1, 2004), State Bank of The Lakes (effective January 1, 2005) and First Northwest Bank (effective March 31, 2005). The results of operations of each of these entities have been included in Wintrust's results of operations since their respective acquisition dates.

### **Net Interest Income**

Net interest income, which is the difference between interest income and fees on earning assets and interest expense on deposits and borrowings, is the major source of earnings for Wintrust. Tax-equivalent net interest income for the quarter ended March 31, 2005 totaled \$50.2 million, an increase of \$13.5 million, or 37%, as compared to the \$36.7 million recorded in the same quarter of 2004. This increase is attributable to increases in the Company's earning asset base. In the first quarter of 2005, average loans, the highest yielding component of the earning asset base, represented 76% of total earning assets and increased \$1.37 billion, or 40%, over the first quarter of 2004. The spread between the yield earned on earning assets and rates paid on interest bearing liabilities was 3.00% in the first quarter of 2005, a decrease of six basis points from the first quarter of 2004. Tax-equivalent net interest income in the first quarter of 2005 represents an increase of \$4.5 million over the amount reported in the fourth quarter of 2004. The increase in net interest income in this period is attributable to an increase in the average loans, but also to the changes in yields earned on the earning assets and paid on the interest bearing liabilities. The table on page 28 presents a summary of the dollar amount of changes in tax-equivalent net interest income attributable to changes in the volume of earning assets and changes in the rates earned and paid for the first quarter of 2005 compared to the same period of 2004 as well as the fourth quarter of 2004.

Net interest margin represents tax-equivalent net interest income as a percentage of the average earning assets during the period. For the first quarter of 2005, the net interest margin was 3.21%, representing a decrease of five basis points when compared to the net interest margin of 3.26% in the prior year first quarter, and an increase of three basis points when compared to the fourth quarter 2004 net interest margin of 3.18%. The core net interest margin, which excludes the net interest expense related to Wintrust's Long-term Debt Trust Preferred Securities, was 3.42% for the first quarter of 2005, 3.34% for the fourth quarter of 2004 and 3.38% for the first quarter of 2004.

The three basis point improvement in the net interest margin in the first quarter of 2005 compared to the fourth quarter of 2004 resulted as the yield on earning assets increased by 22 basis points, the rate paid on interest-bearing liabilities increased by 18 basis points and the contribution from net free funds declined by one basis point. The earning asset yield improvement in the first quarter of 2005 compared to the fourth quarter of 2004 was primarily attributable to a 25 basis point increase in the yield on loans. The higher loan yield is reflective of the interest rate increases affected by the Federal Reserve Bank offset somewhat by continued competitive loan pricing pressures, including the pricing related to the premium finance receivables portfolio. The interest-bearing liability rate increase of 18 basis points was due to higher costs of retail deposits in the first quarter of 2005 due to continued competitive pricing pressures on fixed-maturity time deposits in most of the Company's markets and the promotional pricing activities associated with opening additional *de novo* branches and branches acquired through acquisition. Overall, the Company believes it is well positioned for future rate increases.

The following table presents a summary of the Company's net interest income and related net interest margins, calculated on a fully taxable equivalent basis, for the periods shown:

(Dollars in thousands)	For the Three Months Ended					
	March 31, 2005			March 31, 2004		
	Average	Interest	Yield/ Rate	Average	Interest	Yield/ Rate
Liquidity management assets <sup>(1)</sup> <sup>(2) (8)</sup>	\$ 1,501,675	\$ 14,755	3.98%	\$ 1,039,010	\$ 10,024	3.89%
Other earning assets <sup>(2) (3) (8)</sup>	34,119	441	5.24	37,034	363	3.94
Loans, net of unearned income <sup>(2) (4) (8)</sup>	4,822,149	72,432	6.09	3,455,089	48,554	5.65
Total earning assets <sup>(8)</sup>	\$ 6,357,943	\$ 87,628	5.59%	\$ 4,531,133	\$ 58,941	5.23%
Allowance for loan losses	(38,295)			(26,556)		
Cash and due from banks	136,256			106,688		
Other assets	542,611			329,770		
Total assets	\$ 6,998,515			\$ 4,941,035		
Interest-bearing deposits	\$ 5,005,533	\$ 28,972	2.35%	\$ 3,610,222	\$ 17,729	1.98%
Federal Home Loan Bank advances	297,732	2,568	3.50	164,904	1,621	3.95
Notes payable and other borrowings	300,850	1,779	2.40	200,230	746	1.50
Subordinated notes	50,000	679	5.43	50,000	702	5.55
Long-term debt - trust preferred securities	204,659	3,411	6.67	98,582	1,448	5.81
Total interest bearing liabilities	\$ 5,858,774	\$ 37,409	2.59%	\$ 4,123,938	\$ 22,246	2.17%
Non-interest bearing deposits	535,201			357,434		
Other liabilities	124,516			103,822		
Equity	480,024			355,841		
	\$ 6,998,515			\$ 4,941,035		



Total liabilities and shareholders  
equity

Interest rate spread <sup>(5)(8)</sup>		<b>3.00%</b>		3.06%
Net free funds/contribution <sup>(6)</sup>	<b>\$ 499,169</b>	<b>0.21</b>	\$ 407,195	0.20
Net interest income/Net interest margin <sup>(8)</sup>	<b>\$ 50,219</b>	<b>3.21%</b>	\$ 36,695	3.26%
Core net interest margin <sup>(7)(8)</sup>		<b>3.42%</b>		3.38%

(1) *Liquidity  
management  
assets include  
available-for-sale  
securities, interest  
earning deposits  
with banks, federal  
funds sold and  
securities  
purchased under  
resale agreements.*

(2) *Interest income on  
tax-advantaged  
loans, trading  
account securities  
and securities  
available-for-sale  
reflects a  
tax-equivalent  
adjustment based  
on a marginal  
federal corporate  
tax rate of 35%.  
The total  
adjustments for  
the quarters ended  
March 31, 2005  
and 2004 were  
\$306,000 and  
\$187,000,  
respectively.*

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

*securities.*

- (4) *Loans, net of unearned income, include mortgages held-for-sale and non-accrual loans.*
  
- (5) *Interest rate spread is the difference between the yield earned on earning assets and the rate paid on interest bearing liabilities.*
  
- (6) *Net free funds is the difference between total average earning assets and total average interest-bearing liabilities. The contribution is based on the rate paid for total interest bearing liabilities.*
  
- (7) *The core net interest margin excludes the impact of Wintrust's Long-term Debt Trust Preferred Securities.*
  
- (8) *See Supplemental Financial Measures/Ratios section of this report for additional information on this performance measure/ratio.*



The yield on total earning assets for the first quarter of 2005 was 5.59% as compared to 5.37% in the fourth quarter of 2004 and 5.23% in the first quarter of 2004. The increase of 36 basis points from the first quarter of 2004 resulted primarily from the rising interest rate environment in the last nine months offset by the effects of the competitive market pressure on loan pricing spreads. The first quarter 2005 yield on loans was 6.09%, a 44 basis point increase when compared to the prior year first quarter yield of 5.65%, and a 25 basis point increase compared to the fourth quarter of 2004. Changes in the yield on the loan portfolio result from changes in interest rates as well as changes in the mix of the loan portfolio. The Company's loan portfolio does not re-price in a parallel fashion to changes in the prime lending rate; however, it is impacted by changes in the prime lending rate. The average prime lending rate was 5.44% during the first quarter of 2005 versus 4.00% during the first quarter of 2004, and 4.94% during the fourth quarter of 2004. Average loans comprised approximately 76% of total average earning assets in both the first quarter of 2005 and 2004 and 77% of total average earning assets in the fourth quarter of 2004.

The rate paid on interest-bearing deposits increased to 2.35% in the first quarter of 2005 as compared to 1.98% in the first quarter of 2004 and 2.20% in the fourth quarter of 2004. The rate paid on wholesale funding, consisting of Federal Home Loan Bank advances, notes payable, subordinated notes, other borrowings and trust preferred securities, increased to 3.98% in the first quarter of 2005 compared to 3.51% in the first quarter of 2004 and 3.86% in the fourth quarter of 2004 as a result of higher overnight funding costs and the additional trust preferred borrowings added in 2004. The Company utilizes certain borrowing sources to fund the additional capital requirements of the subsidiary banks, manage its capital, manage its interest rate risk position and for general corporate purposes.

The following table presents a reconciliation of the Company's tax-equivalent net interest income between the three-month periods ended March 31, 2005 and March 31, 2004 and between the three-month periods ended March 31, 2005 and December 31, 2004. The reconciliation sets forth the change in the tax-equivalent net interest income as a result of changes in volumes, changes in rates and the differing number of days in each quarter.

	First Quarter of 2005 Compared to First Quarter of 2004	First Quarter of 2005 Compared to Fourth Quarter of 2004
(Dollars in thousands)		
Tax-equivalent net interest income for comparative period	\$ 36,695	\$ 45,748
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	13,945	3,949
Change due to interest rate fluctuations (rate)	(13)	1,539
Change due to number of days in each quarter (days)	(408)	(1,017)
Tax-equivalent net interest income for the period ended March 31, 2005	\$ 50,219	\$ 50,219

**Non-interest Income**

For the first quarter of 2005, non-interest income totaled \$24.4 million, an increase of \$5.7 million or 30%, over the prior year quarter. The increase in non-interest income is primarily a result of higher mortgage banking revenue, higher levels of fees on covered call option transactions, trading gains associated with interest rate swaps not designated as accounting hedges and the impact of the recent acquisitions offset by lower wealth management fees and net securities gains. Non-interest income as a percentage of net revenue was 33% in the first quarter of 2005 and 34% in the first quarter of 2004.

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

(Dollars in thousands)	<b>Three Months Ended</b>			
	<b>March 31, 2005</b>	<b>March 31, 2004</b>	<b>\$ Change</b>	<b>% Change</b>
Brokerage	\$ 5,521	\$ 6,295	\$ (774)	(12)%
Trust and asset management	2,423	2,178	245	11
Total wealth management fees	7,944	8,473	(529)	(6)
Mortgage banking revenue	6,527	2,290	4,237	185
Service charges on deposit accounts	1,339	973	366	38
Gain on sales of premium finance receivables	1,656	1,475	181	12
Administrative services revenue	1,015	942	73	8
Gains on available-for-sale securities, net		852	(852)	(100)
Other:				
Fees from covered call options	2,753	2,175	578	27
Bank Owned Life Insurance	599	509	90	18
Trading gains	1,144		1,144	N/M
Miscellaneous	1,403	997	406	41
Total other	5,899	3,681	2,218	60
Total non-interest income	\$ 24,380	\$ 18,686	\$ 5,694	30%

*N/M = Not meaningful*

Wealth management fees are comprised of the trust and asset management revenues generated by Wayne Hummer Trust Company and the asset management fees, brokerage commissions, trading commissions and insurance product commissions of the Wayne Hummer Companies. Wealth management fees totaled \$7.9 million in the first quarter of 2005, a \$529,000, or 6%, decrease from the \$8.5 million recorded in the first quarter of 2004. As noted in the table above, the decrease in wealth management fees was a result of a \$774,000 decrease in retail brokerage revenue, offset by an increase of \$245,000 in trust and asset management fees. Retail brokerage revenue also decreased \$229,000, or 4%, compared to the fourth quarter of 2004 while trust and asset management fees increased \$176,000, or 8%, compared to the fourth quarter of 2004. Valuations of the equity securities under management affect the fees earned thereon and trading volumes directly affect brokerage revenue. The Company's strategy is to grow the wealth management business in order to better service its customers and create a more diversified revenue stream. Total assets under management and/or administration totaled \$1.6 billion as of March 31, 2005 and March 31, 2004. Mortgage banking revenue includes revenue from activities related to originating and selling residential real estate loans into the secondary market. With the acquisitions of WestAmerica and Guardian in May 2004, this revenue line

now includes gains on the sale of mortgage loans to the secondary market, origination fees, rate lock commitment fees, document preparation fees and the impact of amortizing and valuing the capitalized servicing right assets. For the quarter ended March 31, 2005, these fees totaled \$6.5 million, an increase of \$4.2 million, or 185%, from the \$2.3 million recorded in the prior year first quarter. Revenues from WestAmerica and Guardian accounted for the entire \$4.2 million increase in revenue. Mortgage banking revenue increased of \$826,000, or 14%, from the fourth quarter of 2004. Mortgage banking is a continuous source of revenue for the Company; however, it is significantly dependent on the relative level of long-term interest rates.

Service charges on deposit accounts totaled \$1.3 million for the first quarter of 2005, an increase of \$366,000, or 38%, when compared to the same quarter of 2004. This increase was mainly due to a larger deposit base and a greater number of accounts at the Banks. The majority of deposit service charges relates to customary fees on overdrawn accounts and returned items. The level of service charges received is substantially below peer group levels, as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

Gain on sales of premium finance receivables results from the Company's sales of premium finance receivables to an unrelated third party. As previously noted, the majority of the receivables originated by FIFC are purchased by the Banks to more fully utilize their lending capacity. However, as a result of continued strong loan origination volume, Wintrust sold \$146 million of premium finance receivables to an unrelated third party financial institution in the first quarter of 2005 and recognized gains totaling \$1.7 million related to this activity, compared with the sale of \$90 million of premium finance receivables and recognized gains of \$1.5 million in the first quarter of 2004. Recognized gains related to this activity are significantly influenced by the spread between the net yield on the loans sold and the rate passed on to the purchaser. The net yield on the loans sold and the rate passed on to the purchaser typically do not react in a parallel fashion, therefore causing the spreads to vary from period to period. This spread averaged 3.74% in the first three months of 2005 compared to 4.74% in the same period last year. The spread narrowed as yields on the premium finance receivables have not risen commensurately with increases in short term market rates. The higher amount of gain recognized in the first quarter of 2005 compared to the prior year, was primarily due to a higher volume of loans sold. FIFC continues to maintain an interest in the loans sold and establishes a servicing asset, interest only strip and a recourse obligation upon each sale. Recognized gains, recorded in accordance with SFAS 140, as well as the Company's retained interests in these loans are based on the Company's projection of cash flows that will be generated from the loans. The cash flow model incorporates the amounts contractually due from the customers, including an estimate of late fees, the amounts due to the purchaser of the loans, commissions paid to agents as well as estimates of the term of the loans and credit losses. Significant differences in actual cash flows and the projected cash flows can cause impairment to the servicing asset and interest only strip as well as the recourse obligation. The Company typically makes a clean up call by repurchasing the remaining loans in the pools sold after approximately 10 months from the sale date. Upon repurchase, the loans are recorded in the Company's premium finance receivables portfolio and any remaining balance of the Company's retained interest is recorded as an adjustment to the gain on sale of premium finance receivables. The Company continuously monitors the performance of the loan pools to the projections and adjusts the assumptions in its cash flow model when warranted. In the first quarter of 2005, clean up calls resulted in increased gains (primarily from reversing the remaining balances of the related liability for the Company's recourse obligation related to the loans) of approximately \$47,000, compared to \$115,000 in the first quarter of 2004. Credit losses were estimated at 0.25% of the estimated average balances in the pools sold in the first quarters of 2005 and 2004. The average terms of the loans during both the first quarter of 2005 and 2004 were estimated at approximately 8 months. The applicable discount rate used in determining gains related to this activity was unchanged during 2004 and 2005.

At March 31, 2005, premium finance loans sold and serviced for others for which a recourse obligation related to credit losses is retained totaled approximately \$267.8 million. The recourse obligation is considered in computing the net gain on the sale of the premium finance receivables. At March 31, 2005, the remaining estimated recourse obligation carried in other liabilities was approximately \$424,000.

Credit losses incurred on loans sold are applied against the recourse obligation liability that is established at the date of sale. Credit losses in the first three months of 2005 for premium finance receivables sold and serviced for others totaled \$43,000. At March 31, 2005, non-performing loans related to this sold portfolio were approximately \$2.6 million, or 0.97%, of the sold loans. Ultimate losses on premium finance loans are substantially less than non-performing loans for the reason noted in the Non-performing Premium Finance Receivables portion of the Asset Quality section of this report.

Wintrust has a strategy of maintaining its average loan-to-deposit ratio in the range of 85-90%. During the first quarter of 2005, the ratio was approximately 87%. Consistent with its strategy to be asset-driven and the desire to maintain our loan-to-deposit ratio in the aforementioned range, it is probable that similar sales of premium finance receivables

will occur in the future.



The administrative services revenue contributed by Tricom added \$1.0 million to total non-interest income in the first quarter of 2005, an increase of \$73,000, from the first quarter of 2004. This revenue comprises income from administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients located throughout the United States. Although Tricom's business is expanding, its revenue continues to reflect competitive rate pressures in the industry. Tricom also earns interest and fee income from providing short-term accounts receivable financing to this same client base, which is included in the net interest income category.

Fees from covered call option transactions in the first quarter of 2005 were \$2.8 million, compared to \$2.2 million in the same quarter last year. During the first three months of 2005, call option contracts were written against \$637 million of underlying securities, compared to \$327 million in the first three months of last year. The same security may be included in this total more than once to the extent that multiple call option contracts were written against it if the initial call option contracts were not exercised. In the first three months of both years, the Company wrote 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 is able to effectively use the proceeds from selling covered call options to offset net interest margin compression and administers such sales in a coordinated process with the Company's overall asset/liability management. The covered call option transactions are designed to increase the total return associated with holding certain investment securities and do not qualify as hedges pursuant to SFAS 133. There were no outstanding call options at March 31, 2005, December 31, 2004 or March 31, 2004.

Bank Owned Life Insurance ( BOLI ) income totaled \$599,000 in the first quarter of 2005 and \$509,000 in the first quarter of 2004. This income represents adjustments to the cash surrender value of BOLI policies. The Company originally purchased \$41.1 million of BOLI in 2002 to consolidate existing term life insurance contracts of executive officers and to mitigate the mortality risk associated with death benefits provided for in executives' employment contracts. Additional BOLI was purchased since then, including the acquisition of \$8.9 million of BOLI that was owned by State Bank of The Lakes. As of March 31, 2005, the Company's recorded investment in BOLI was \$68.3 million.

Trading gains of \$1.1 million are related to economic hedges that did not qualify for hedge accounting. These gains primarily represent the mark-to-market adjustments, and to a lesser extent, the net settlements, on interest rate swap contracts that were entered into to economically hedge certain funding liabilities, but failed to qualify for hedge accounting.

Miscellaneous other non-interest income includes service charges and fees and miscellaneous income and totaled \$1.4 million in the first quarter of 2005 and \$997,000 in the first quarter of 2004. The increase was primarily attributable to the income generated by the recently acquired banks.

**Non-interest Expense**

Non-interest expense for the first quarter of 2005 totaled \$48.3 million, an increase of \$14.0 million, or 41%, from the first quarter 2004 total of \$34.3 million. The increase in non-interest expense was primarily due to an increase in salaries and employee benefits of \$8.7 million and an increase in occupancy expense of \$1.7 million. These increases are primarily a result of the acquisitions completed during 2004 and 2005 along with the continued growth and expansion of the banking franchise. Since March 31, 2004, total loans and total deposits have increased 40% and 46%, respectively, requiring higher levels of staffing and resulting in an increase in other costs in order to both attract and service the larger customer base. The Company's efficiency ratio was 64.75% for the first three months of 2005, compared to 62.82% for the first three months of 2004.

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

	<b>Three Months Ended</b>			
	<b>March 31, 2005</b>	March 31, 2004	\$ Change	% Change
(Dollars in thousands)				
Salaries and employee benefits	<b>\$ 29,463</b>	\$ 20,779	\$ 8,684	42%
Equipment	<b>2,749</b>	2,169	580	27
Occupancy, net	<b>3,840</b>	2,178	1,662	76
Data processing	<b>1,715</b>	1,302	413	32
Advertising and marketing	<b>994</b>	724	270	37
Professional fees	<b>1,469</b>	968	501	52
Amortization of other intangible assets	<b>755</b>	200	555	278
Other:				
Commissions — 3 <sup>rd</sup> party brokers	<b>1,012</b>	1,012		
Postage	<b>905</b>	625	280	45
Stationery and supplies	<b>832</b>	534	298	56
Miscellaneous	<b>4,570</b>	3,766	804	21
Total other	<b>7,319</b>	5,937	1,382	23
Total non-interest expense	<b>\$ 48,304</b>	\$ 34,257	\$ 14,047	41%

Salaries and employee benefits totaled \$29.5 million for the first quarter of 2005, an increase of 42% from the prior year's quarter of \$20.8 million. As previously noted, this increase was primarily due to the acquisitions and continued growth and expansion of the banking franchise along with normal increases in employee benefits. Occupancy expenses were \$3.8 million for the first quarter of 2005, compared to \$2.2 million during the first quarter of 2004. This increase was due primarily to the acquisitions of WestAmerica and Guardian in May 2004, Northview Bank in September 2004, Town Bank in October 2004 and State Bank of The Lakes in January 2005, as well as the opening of seven *de novo* banking locations during the past twelve months.

The increase in the amortization of other intangible assets relates to the amortization of the value assigned to the deposit base intangibles acquired in connection with the acquisitions of Northview Bank, Town Bank and State Bank of The Lakes.

Commissions paid to third party brokers represent the commissions paid on revenue generated by Focused through its network of unaffiliated banks.

The remaining categories of non-interest expense, including equipment expense, data processing, advertising and marketing, professional fees and other, increased in the aggregate \$3.1 million over the prior year first quarter. The percentage increases in each of these categories were in line with the increases in total loans and deposits over the last twelve months.

**Income Taxes**

The Company recorded income tax expense of \$9.1 million for the three months ended March 31, 2005, versus \$6.8 million for the same period of 2004. The effective tax rate was 36.7% and 36.9%, in the first quarter of 2005 and 2004, respectively.

## Operating Segment Results

As described in Note 9 to the Consolidated Financial Statements, the Company's operations consist of four primary segments: banking, premium finance, Tricom and wealth management. The Company's profitability is primarily dependent on the net interest income, provision for loan losses, non-interest income and operating expenses of its banking segment. The net interest income of the banking segment includes income and related interest costs from portfolio loans that were purchased from the premium finance segment. For purposes of internal segment profitability analysis, management reviews the results of its premium finance segment as if all loans originated and sold to the banking segment were retained within that segment's operations. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates a portion of the net interest income earned by the Banking segment on deposits balances of customers of the wealth management segment to the wealth management segment. (See Wealth management deposits discussion in Deposits section of this report for more information on these deposits.)

The banking segment's net interest income for the quarter ended March 31, 2005 totaled \$47.9 million as compared to \$32.5 million for the same period in 2004, an increase of \$15.4 million, or 48%. This increase resulted from average total earning asset growth of \$1.8 billion offsetting a decline in the net interest margin of five basis points. The banking segment's non-interest income totaled \$12.1 million in 2005, an increase of \$4.7, or 63%, when compared to the 2004 total of \$7.4 million. The increase in non-interest income is primarily a result of the impact of the recent acquisitions of WestAmerica and Guardian, Town Bank, Northview Bank and State Bank of The Lakes. The banking segment's net income for the quarter ended March 31, 2005 totaled \$15.1 million, an increase of \$4.7 million, or 45%, as compared to the 2004 total of \$10.5 million. The banking segment accounted for the majority of the Company's total asset growth since March 31, 2004, increasing by \$2.5 billion.

Net interest income for the premium finance segment totaled \$10.9 million for the quarter ended March 31, 2005, a decrease of \$2.1 million, or 16%, compared to the \$13.0 million in 2004. This segment was negatively impacted by both competitive asset pricing pressures and higher variable funding costs over the last twelve months. The premium finance segment's non-interest income totaled \$1.8 million and \$1.5 million for the quarters ended March 31, 2005, and 2004, respectively. Non-interest income for this segment primarily reflects the gains from the sale of premium finance receivables to an unrelated third party. Consistent with Wintrust's strategy to be asset-driven and the desire to maintain the loan-to-deposit ratio in the 85% to 95% range, Wintrust sold \$146 million of excess premium finance receivables volume in the first quarter of 2005 and \$90 million in the first quarter of 2004. Net after-tax profit of the premium finance segment totaled \$6.0 million and \$6.6 million for the quarters ended March 31, 2005 and 2004, respectively.

The Tricom segment data reflects the business associated with short-term accounts receivable financing and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, which Tricom provides to its clients in the temporary staffing industry. The segment's net interest income was \$942,000 in the first quarter of 2005 up \$102,000 when compared to the \$840,000 reported for the same period in 2004. Continued competitive pricing pressures in the temporary staffing industry have lowered the margins significantly in the past year. Increasing sales penetration helped offset the effects of the competitive pricing pressures, causing the administrative services revenues in the first quarter of 2005 to increase \$73,000 over the first quarter of 2004. The segment's net income was \$394,000 in 2005 compared to \$274,000 in 2004, reflecting both increases in net interest income and administrative services revenue.

The wealth management segment reported net interest income of \$646,000 for the first quarter of 2005 compared to \$1.4 million in the same quarter of 2004. Net interest income is comprised of the net interest earned on brokerage customer receivables at WHI and an allocation of a portion of the net interest income earned by the Banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the Banks. The allocated net interest income included in this segment's profitability was \$302,000 (\$186,000 after tax) in the first quarter of 2005 and \$1.1 million (\$640,000 after tax) in the first quarter of 2004. Rising short-term interest rates, coupled with the flattening of the yield curve, have diminished the portion of the contribution from these funds allocated to the wealth management segment. This segment recorded non-interest income of \$8.8 million for 2005 as compared to \$9.5 million for 2004, a decrease of \$649,000 or 7%. Wintrust is committed to growing the wealth

management business in order to better service its customers and create a more diversified revenue stream. The decrease in total non-interest income in the first quarter of 2005 continues to reflect decreases in revenue from retail brokerage activity and increases from trust and asset management activities. The wealth management segment's net income totaled a loss of \$424,000 for 2005 compared to income of \$575,000 for the first quarter of 2004.

**FINANCIAL CONDITION**

Total assets were \$7.35 billion at March 31, 2005, representing an increase of \$2.38 billion, or 48%, over \$4.96 billion at March 31, 2004. Approximately \$1.6 billion of the increase in total assets in this period is a result of the acquisitions of State Bank of The Lakes and First Northwest Bank in the first quarter of 2005, and of Northview Bank, Town Bank, WestAmerica and Guardian in 2004. Total assets at March 31, 2005, increased \$926 million, or 59% on an annualized basis, since December 31, 2004. Total funding, which includes deposits, all notes and advances, including the Long-term Debt-Trust Preferred Securities, was \$6.7 billion at March 31, 2005, representing an increase of \$2.2 billion, or 50%, over the March 31, 2004 reported amounts. Approximately \$1.3 billion of this increase in total funding relates to the companies acquired during the last twelve months. The balance of the increase in total funding was primarily utilized to fund internal growth in the loan portfolio and to provide additional liquidity to the Company on a temporary basis. Total funding at March 31, 2005, increased \$818 million, or 56% on an annualized basis, since December 31, 2004. See Notes 4-8 of the 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)	<b>Three Months Ended</b>					
	<b>March 31, 2005</b>		<b>December 31,</b>		<b>March 31, 2004</b>	
	<b>Balance</b>	<b>Percent</b>	<b>Balance</b>	<b>Percent</b>	<b>Balance</b>	<b>Percent</b>
Loans:						
Commercial and commercial real estate	\$ 2,657,906	42%	\$ 2,384,334	42%	\$ 1,686,182	37%
Home equity	602,109	9	574,473	10	475,869	11
Residential real estate <sup>(1)</sup>	378,800	6	348,450	6	206,126	5
Premium finance receivables	861,240	14	793,650	14	821,972	18
Indirect consumer loans	188,938	3	174,377	3	177,712	4
Tricom finance receivables	29,950		32,193		21,772	
Other loans	103,206	2	93,074	2	65,456	1
Total loans, net of unearned income	\$ 4,822,149	76%	\$ 4,400,551	77%	\$ 3,455,089	76%
Liquidity management assets	1,501,675	24	1,291,805	22	1,039,010	23
Other earning assets	34,119		33,794	1	37,034	1
Total average earning assets	\$ 6,357,943	100%	\$ 5,726,150	100%	\$ 4,531,133	100%
Total average assets	\$ 6,998,515		\$ 6,241,045		\$ 4,941,035	
Total average earning assets to total average assets		91%		92%		92%

(1) Includes  
mortgage loans  
held-for-sale.

Total average earning assets for the first quarter of 2005 increased \$1.8 billion, or 40%, over the prior year first quarter and \$632 million, or 45% on an annualized basis, over the fourth quarter of 2004. The ratio of total average earning assets as a percent of total average assets remained relatively consistent at 91% 92% for each of the quarterly

periods shown in the above table.

Loan growth continues to fuel the Company's earning asset growth. Total average loans during the first quarter of 2005 increased \$1.4 billion, or 40%, over the previous year first quarter. Average balances of commercial and commercial real estate loans increased 58%, residential real estate loans increased 84% and home equity loans increased 27%, as compared to the average balances in the first quarter of 2004. Average total loans increased \$422 million, or 39% on an annualized basis, over the average balance in the fourth quarter of 2004. The acquisition of State Bank of The Lakes (effective January 1, 2005), contributed approximately \$254 million to average total loans in the first quarter of 2005. The composition of the loan portfolio and earning asset base remained relatively consistent in the first quarter of 2005 compared to the fourth quarter of 2004.

At March 31, 2005, total loans (excluding mortgage loans held-for-sale) were \$4.86 billion and mortgage loans held-for-sale were \$133 million. Total loans at March 31, 2005, include \$183 million of loans of First Northwest Bank, which was acquired on March 31, 2005. The loans of First Northwest Bank had no impact on the Company's quarterly average loan balances and did not significantly impact the relative composition of the Company's loan portfolio. See Note 5 of this report for a summary of period end loan balances.

Liquidity management assets include available-for-sale securities, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements. The balances of these assets can fluctuate based on deposit inflows and outflows, the level of other funding sources and loan demand. See Note 4 of this report for a summary of period end balances of available-for-sale securities.

Other earning assets in the table include brokerage customer receivables and trading account securities from the Wayne Hummer Companies. In the normal course of business, WHI activities involve the execution, settlement, and financing of various securities transactions. These activities may expose WHI to risk in the event the customer is unable to fulfill its contractual obligations. WHI maintains cash and margin accounts for its customers generally located in the Chicago, Illinois and Appleton, Wisconsin metropolitan areas of the Midwest.

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

WHI's customer financing and securities settlement activities require WHI to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, WHI may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. WHI attempts to control this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, WHI establishes credit limits for such activities and monitors compliance on a daily basis.

### Deposits

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)	March 31, 2005		Three Months Ended December 31, 2004		March 31, 2004	
	Balance	Percent	Balance	Percent	Balance	Percent
Non-interest bearing NOW accounts	\$ 535,201	10%	\$ 482,160	10%	\$ 357,434	9%
Wealth management deposits	645,501	12	572,941	11	414,946	10
Money market accounts	395,840	7	383,470	8	366,471	9
Savings accounts	642,802	11	621,732	12	475,363	12
Time certificates of deposit	277,706	5	214,321	4	185,895	5
	3,043,684	55	2,768,005	55	2,167,547	55
Total deposits	\$ 5,540,734	100%	\$ 5,042,629	100%	\$ 3,967,656	100%





Total average deposits for the first quarter of 2005 were \$5.54 billion, an increase of \$1.6 billion, or 40%, over the first quarter of 2004 and an increase of \$498 million, or 40% on an annualized basis, over the fourth quarter of 2004. State Bank of The Lakes, with an effective acquisition date of January 1, 2005, contributed approximately \$381 million to average total deposits in the first quarter of 2005. The composition of the deposit base remained relatively consistent for the periods indicated.

Total deposits at March 31, 2005, were \$5.93 billion and increased \$1.86 billion, or 46%, compared to total deposits at March 31, 2004. Total deposits at March 31, 2005 include \$222 million of deposits of First Northwest Bank which was acquired on March 31, 2005. The deposits of First Northwest Bank had no impact on the Company's quarterly average balances and did not have a significant impact on the composition of the Company's total deposits. See Note 6 of this report for a summary of period end deposit balances.

Wealth management deposits represent balances from brokerage customers of Wayne Hummer Investments and trust and asset management customers of Wayne Hummer Trust Company on deposit at the Company's Banks. As noted in previous reports, following its acquisition of the Wayne Hummer Companies in February 2002, Wintrust undertook efforts to migrate funds from the money market mutual fund managed by WHAMC into federally-insured deposit accounts at the Banks. The WHAMC money market mutual fund was liquidated in December 2003.

#### 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, the Company uses several other funding sources to support its interest-earning asset growth. These sources include short-term borrowings, notes payable, Federal Home Loan Bank advances, subordinated notes, trust preferred securities, the issuance of equity securities as well as the retention of earnings.

Average total interest-bearing funding, from sources other than deposits and including the long-term debt trust preferred securities, totaled \$853 million in the first quarter of 2005, an increase of \$339 million compared to the first quarter of 2004 average balance of \$514 million, and an increase of \$206 million compared to the fourth quarter 2004 average balance of \$647 million.

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

	<b>Three Months Ended</b>		
	<b>March 31, 2005</b>	<b>December 31, 2004</b>	<b>March 31, 2004</b>
(Dollars in thousands)			
Notes payable	<b>\$ 38,000</b>	\$ 1,403	\$ 16,660
Federal Home Loan Bank advances	<b>297,732</b>	265,129	164,904
Other borrowings:			
Federal funds purchased	<b>41,738</b>	58,825	27,354
Securities sold under repurchase agreements	<b>216,430</b>	105,325	141,912
Wayne Hummer Companies borrowings			10,604
Other	<b>4,682</b>	4,026	3,700
Total other borrowings	<b>262,850</b>	168,176	183,570
Subordinated notes	<b>50,000</b>	50,000	50,000
Long-term debt trust preferred securities	<b>204,659</b>	162,561	98,582
Total other funding sources	<b>\$ 853,241</b>	\$ 647,269	\$ 513,716

During the first quarter of 2005, the average balance of notes payable increased as the Company used its revolving loan agreement with an unaffiliated bank as a source of funds for the cash consideration paid in connection with the acquisitions of Antioch and FNBI. The majority of the increase was repaid before quarter end, and the balance of notes payable as of March 31, 2005 was \$6 million.

During the first quarter of 2005, the Company increased its use of repurchase agreements as a low-rate funding source, resulting in an average balance of \$216 million, but reduced such balances by quarter-end. As of March 31, 2005, securities sold under repurchase agreements totaled \$146 million.

The Wayne Hummer Companies funding consists of demand obligations to third party banks that are used to finance securities purchased by customers on margin and securities owned by WHI, and demand obligations to brokers and clearing organizations. Borrowings to finance securities purchased by customers are collateralized with customer assets. During the third quarter of 2004, WHI began to borrow such funds from its parent company, North Shore Bank, and therefore these balances are now eliminated in the consolidation process.

Average other represents the Company's interest-bearing deferred portion of the purchase price of the Wayne Hummer Companies and a mortgage related to Northbrook Bank's Northfield branch premises.

The increase in average long-term debt trust preferred securities in the first quarter of 2005 compared to the fourth quarter of 2004, primarily reflects the Company's issuance of \$51.55 million of related Debentures in December 2004. See Notes 7 and 8 of the Financial Statements presented under Item 1 of this report for details of period end balances of these various funding sources.

There were no material changes outside the ordinary course of business in the Company's contractual obligations during the first quarter of 2005 as compared to December 31, 2004.

**Shareholders Equity**

Total shareholders' equity was \$562.2 million at March 31, 2005 and increased \$193.2 million since March 31, 2004 and \$88.3 million since the end of 2004. Significant increases from December 31, 2004, include the retention of \$13.1 million of earnings (net income of \$15.7 million less dividends of \$2.6 million), \$55.9 million from the issuance of 1.0 million shares of common stock in partial settlement of the forward sale agreement the Company entered into in December 2004, \$30.0 million from the issuance of 595,000 shares of the Company's common stock in connection with business combinations and \$3.8 million from the issuance of shares of the Company's common stock pursuant to various stock compensation plans. Increases in unrealized net losses from available-for-sale securities, net of tax, decreased shareholder's equity \$15.0 million in the first quarter of 2005 from December 31, 2004.

The annualized return on average equity for the three months ended March 31, 2005 was 13.24%, compared to 13.10% for the first three months of 2004 and 12.30% for the fourth quarter of 2004.

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

	<b>March 31, 2005</b>	December 31, 2004	March 31, 2004
Leverage ratio	<b>8.4%</b>	8.4%	8.5%
Tier 1 capital to risk-weighted assets	<b>9.6</b>	9.8	9.8
Total capital to risk-weighted assets	<b>11.3</b>	12.2	11.6
Total average equity-to-total average assets	<b>6.9</b>	7.2*	7.2

\* *based on  
12-month  
average  
balances*

	Minimum Capital Requirements	Adequately Capitalized	Well Capitalized
Leverage ratio	3.0%	4.0%	5.0%
Tier 1 capital to risk-weighted assets	4.0	4.0	6.0
Total capital to risk-weighted assets	8.0	8.0	10.0

The Company attempts to maintain an efficient capital structure in order to provide higher returns on equity.

Additional capital is required from time to time, however, to support the growth of the organization. The issuance of additional common stock, additional trust preferred securities or subordinated debt are the primary forms of capital that are considered as the Company evaluates its capital position. The Company's goal is to support the continued growth of the Company and to meet the well-capitalized total capital to risk-weighted assets ratio with these new issuances of regulatory capital.

In January 2005, Wintrust declared a semi-annual cash dividend of \$0.12 per common share. In January 2004 and July 2004, the Company declared semi-annual cash dividends of \$0.10 per common share. The dividend payout ratio (annualized) was 8.7% for the first quarter of 2005 and 9.2% for the first quarter of 2004. The Company continues to target an earnings retention ratio of approximately 90% to support continued growth.

**ASSET QUALITY****Allowance for Loan Losses**

The following table presents a summary of the activity in the allowance for loan losses for the periods presented:

(Dollars in thousands)	<b>Three Months Ended</b>	
	<b>March 31, 2005</b>	<b>March 31, 2004</b>
<b>Balance at beginning of period</b>	<b>\$ 34,227</b>	<b>\$ 25,541</b>
<b>Provision for loan losses</b>	<b>1,231</b>	<b>2,564</b>
<b>Allowance acquired in business combinations</b>	<b>4,793</b>	
<b>Charge-offs:</b>		
Commercial and commercial real estate loans	<b>663</b>	729
Home equity loans		
Residential real estate loans	<b>44</b>	
Consumer and other loans	<b>47</b>	146
Premium finance receivables	<b>443</b>	355
Indirect consumer loans	<b>113</b>	110
Tricom finance receivables		
Total charge-offs	<b>1,310</b>	1,340
<b>Recoveries:</b>		
Commercial and commercial real estate loans	<b>197</b>	140
Home equity loans		
Residential real estate loans		
Consumer and other loans	<b>6</b>	32
Premium finance receivables	<b>140</b>	103
Indirect consumer loans	<b>53</b>	43
Tricom finance receivables		
Total recoveries	<b>396</b>	318
<b>Net charge-offs</b>	<b>(914)</b>	<b>(1,022)</b>
<b>Balance at March 31</b>	<b>\$ 39,337</b>	<b>\$ 27,083</b>
<b>Annualized net charge-offs as a percentage of average:</b>		
Commercial and commercial real estate loans	<b>0.07%</b>	0.14%
Home equity loans		
Residential real estate loans	<b>0.05</b>	
Consumer and other loans	<b>0.16</b>	0.70
Premium finance receivables	<b>0.14</b>	0.12
Indirect consumer loans	<b>0.13</b>	0.15

Tricom finance receivables

Total loans, net of unearned income	<b>0.08%</b>	0.12%
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<b>Net charge-offs as a percentage of the provision for loan losses</b>	<b>74.25%</b>	39.86%
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<b>Total loans, net of unearned income, at March 31</b>	<b>\$ 4,858,724</b>	\$ 3,464,741
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<b>Allowance as a percentage of loans at period-end</b>	<b>0.81%</b>	0.78%
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Management believes that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. Loan quality is continually monitored by management and is reviewed by the Banks' Boards of Directors and their Credit Committees on a monthly basis. Independent external reviews of the loan portfolio are provided by the examinations conducted by regulatory authorities and an independent loan review performed by an entity engaged by the Board of Directors. The amount of additions to the allowance for loan losses, which is charged to earnings through the provision of loan losses, is determined based on management's assessment of the adequacy of the allowance for loan losses. Management evaluates on a quarterly basis a variety of factors, including actual charge-offs during the year, historical loss experience, delinquent and other potential problem loans, and economic conditions and trends in the market area in assessing the adequacy of the allowance for loan losses.

In 2004, the Company refined its methodology for determining certain elements of the allowance for loan losses. This refinement resulted in allocation of the entire allowance to specific loan portfolio groupings. The Company maintains its allowance for loan losses at a level believed adequate by management to absorb probable losses inherent in the loan portfolio and is based on the size and current risk characteristics of the loan portfolio, an assessment of Watch List loans and actual loss experience, industry concentration, geographical concentrations, levels of delinquencies, historical loss experience including an analysis of the seasoning of the loan portfolio, changes in trends in risk ratings assigned to loans, changes in underwriting standards and other pertinent factors, including regulatory guidance and general economic conditions. The allowance for loan losses also includes an element for estimated probable but undetected losses and for imprecision in the credit risk models used to calculate the allowance. The methodology used in 2004 refined the process so that this element was calculated for each loan portfolio grouping. In prior years, this element of the allowance was associated with the loan portfolio as a whole rather than with a specific loan portfolio grouping. The Company reviews Watch List loans on a case-by-case basis to allocate a specific dollar amount of reserves, whereas all other loans are reserved for based on assigned reserve percentages evaluated by loan groupings. The loan groupings utilized by the Company are commercial, commercial real estate, residential real estate, home equity, premium finance receivables, indirect automobile, Tricom finance receivables and consumer. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current environmental factors and economic trends, all of which may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries are credited to the allowance. A provision for credit losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly and more frequently if deemed necessary.

The provision for loan losses totaled \$1.2 million for the first quarter of 2005, a \$1.4 million decrease from the prior year quarter of \$2.6 million and a \$47,000 decrease from the fourth quarter of 2004. For the quarter ended March 31, 2005 net charge-offs totaled \$914,000, down from the \$1.0 million of net charge-offs recorded in the same period of 2004 and in the fourth quarter of 2004. On a ratio basis, annualized net charge-offs as a percentage of average loans decreased to 0.08% in the first quarter of 2005 from 0.12% in the same period in 2004 and from 0.09% in the fourth quarter of 2004. The lower provision for loan losses in 2005 is primarily a result of a continuing low level of non-performing loans and a reduced level of net charge-offs of loans.

The increase in the allowance for loan losses of \$5.1 million from December 31, 2004 to March 31, 2005, is primarily related to \$4.8 million in allowance for loan losses from acquired institutions. The allowance for loan losses as a percentage of total loans was 0.81% at March 31, 2005, compared to 0.78% at March 31, 2004 and 0.79% at December 31, 2004. The commercial and commercial real estate portfolios and the premium finance portfolio have traditionally experienced the highest levels of charge-offs by the Company, along with losses related to the indirect automobile portfolio.



**Past Due Loans and Non-performing Assets**

The following table sets forth Wintrust's non-performing assets at the dates indicated. The information in the table should be read in conjunction with the detailed discussion following the table.

(Dollars in thousands)	March 31, 2005	December 31, 2004	March 31, 2004
<b>Loans past due greater than 90 days and still accruing:</b>			
Residential real estate and home equity	\$ 131	\$ 715	\$ 614
Commercial, consumer and other	1,989	3,869	2,777
Premium finance receivables	3,005	280	192
Indirect consumer loans	259		
Tricom finance receivables			
<b>Total past due greater than 90 days and still accruing</b>	<b>5,384</b>	4,864	3,583
<b>Non-accrual loans:</b>			
Residential real estate and home equity	1,388	2,660	1,723
Commercial, consumer and other	9,968	3,550	8,210
Premium finance receivables	8,514	7,396	6,654
Indirect consumer loans	256	118	100
Tricom finance receivables			13
<b>Total non-accrual</b>	<b>20,126</b>	13,724	16,700
<b>Total non-performing loans:</b>			
Residential real estate and home equity	1,519	2,660	1,723
Commercial, consumer and other	11,957	4,265	8,824
Premium finance receivables	11,519	11,265	9,431
Indirect consumer loans	515	398	292
Tricom finance receivables			13
<b>Total non-performing loans</b>	<b>25,510</b>	18,588	20,283
<b>Other real estate owned</b>	<b>56</b>		390
<b>Total non-performing assets</b>	<b>\$ 25,566</b>	\$ 18,588	\$ 20,673

**Total non-performing loans by category as a percent of its own respective category:**

Residential real estate and home equity	0.17%	0.32%	0.26%
Commercial, consumer and other	0.41	0.17	0.48
Premium finance receivables	1.50	1.46	1.20
Indirect consumer loans	0.27	0.23	0.16
Tricom finance receivables			0.06

Total non-performing loans	<b>0.53%</b>	0.43%	0.59%
<b>Total non-performing assets as a percentage of total assets</b>	<b>0.35%</b>	0.29%	0.42%
<b>Allowance for loan losses as a percentage of non-performing loans</b>	<b>154.20%</b>	184.13%	133.53%

*Non-performing Residential Real Estate and Home Equity*

The non-performing residential real estate and home equity loans totaled \$1.5 million at March 31, 2005. The balance declined \$1.1 million from December 31, 2004. Each non-performing credit is well secured and in the process of collection. Management does not expect any material losses from the resolution of any of the credits in this category.

*Non-performing Commercial, Consumer and Other*

The commercial, consumer and other non-performing loan category totaled \$12.0 million as of March 31, 2005. The balance in this category increased \$7.7 million from December 31, 2004. Of this increase, \$3.1 million was attributable to the 2005 acquisitions of State Bank of The Lakes and First Northwest Bank. Management does not expect any material losses from the resolution of any of the relatively small number of credits in this category.

*Non-performing Premium Finance Receivables*

The following table presents the level of non-performing premium finance receivables as of the dates indicated, and the amount of net charge-offs for the quarterly periods then ended.

(Dollars in thousands)	<b>March 31, 2005</b>	December 31, 2004	March 31, 2004
Non-performing premium finance receivables	\$ <b>11,519</b>	\$ 11,265	\$ 9,431
- as a percent of premium finance receivables outstanding	<b>1.50%</b>	1.46%	1.20%
Net charge-offs of premium finance receivables	\$ <b>303</b>	\$ 230	\$ 252
- annualized as a percent of average premium finance receivables	<b>0.14%</b>	0.12%	0.12%

The level of non-performing premium finance receivables as a percent of total premium finance receivables is higher than the prior year-end level and the level reported at March 31, 2004. As noted below, fluctuations in this category may occur due to timing and nature of account collections from insurance carriers. Management is comfortable with administering the collections at this level of non-performing premium finance receivables and expects that such ratios will remain at relatively low levels.

The ratio of non-performing premium finance receivables fluctuates throughout the year due to the nature and timing of canceled account collections from insurance carriers. Due to the nature of collateral for premium finance receivables it customarily takes 60-150 days to convert the collateral into cash collections. Accordingly, the level of non-performing premium finance receivables is not necessarily indicative of the loss inherent in the portfolio. In the event of default, Wintrust has the power to cancel the insurance policy and collect the unearned portion of the premium from the insurance carrier. In the event of cancellation, the cash returned in payment of the unearned premium by the insurer should generally be sufficient to cover the receivable balance, the interest and other charges due. Due to notification requirements and processing time by most insurance carriers, many receivables will become delinquent beyond 90 days while the insurer is processing the return of the unearned premium. Management continues to accrue interest until maturity as the unearned premium is ordinarily sufficient to pay-off the outstanding balance and contractual interest due.

*Non-performing Indirect Consumer Loans*

Total non-performing indirect consumer loans were \$515,000 at March 31, 2005, compared to \$292,000 at March 31, 2004 and \$398,000 at December 31, 2004. The ratio of these non-performing loans to total indirect consumer loans was 0.27% at March 31, 2005, compared to 0.16% at March 31, 2004 and 0.23% at December 31, 2004. As noted in the Allowance for Loan Losses table, net charge-offs as a percent of total indirect consumer loans were 0.13% for the quarter ended March 31, 2005 compared to 0.15% in the same period in 2004. The level of non-performing and net charge-offs of indirect consumer loans continue to be below standard industry ratios for this type of lending.

### *Credit Quality Review Procedures*

The Company utilizes a loan rating system to assign risk to loans and utilizes that risk rating system to assist in developing an internal problem loan identification system ( Watch List ). The Watch List is used to monitor the credits as well as a means of reporting non-performing and potential problem loans. At each scheduled meeting of the Boards of Directors of the Banks and the Wintrust Board, a Watch List is presented, showing all loans that are non-performing and loans that may warrant additional monitoring. Accordingly, in addition to those loans disclosed under Past Due Loans and Non-performing Assets, there are certain loans in the portfolio which management has identified, through its Watch List, which exhibit a higher than normal credit risk. These credits are reviewed individually by management to determine whether any specific reserve amount should be allocated for each respective credit. However, these loans are still performing and, accordingly, are not included in non-performing loans. Management's philosophy is to be proactive and conservative in assigning risk ratings to loans and identifying loans to be included on the Watch List. The principal amount of loans on the Company's Watch List (exclusive of those loans reported as non-performing) as of March 31, 2005, December 31, 2004 and March 31, 2004 totaled \$68.8 million, \$62.6 million and \$29.9 million, respectively. Management believes these loans are performing and, accordingly, does not have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms.

### **LIQUIDITY**

Wintrust 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 liquidity to meet the demand is provided by maturing assets, sales of premium finance receivables, liquid assets that can be converted to cash, and the ability to attract funds from external sources. Liquid assets refer to federal funds sold and to marketable, unpledged securities, which can be quickly sold without material loss of principal.

Please refer to the Interest-Earning Assets, Deposits, Other Funding Sources and Shareholders' Equity discussions 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 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 does inflation. Accordingly, changes in inflation are not expected to have a material impact on the Company. 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 Disclosure About Market Risks section of this report.

## **FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements within the meaning of federal securities laws. Forward-looking information in this document can be identified through the use of words such as may, will, intend, plan, project, expect, anticipate, should, would, believe, estimate, contemplate, possible, and point. The forward-looking information is premised on many factors, some of which are outlined below. 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 projected growth, anticipated improvements in earnings, earnings per share and other financial performance measures, and management's long-term performance goals, as well as statements relating to the anticipated effects on financial results of condition from expected developments or events, the Company's business and growth strategies, including anticipated internal growth, plans to form additional de novo banks and to open new branch offices, and to pursue additional potential development or acquisitions of banks, wealth management entities or specialty finance businesses. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

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).

Changes in the interest rate environment, which may influence, among other things, the growth of loans and deposits, the quality of the Company's loan portfolio, the pricing of loans and deposits and interest income.

The extent of defaults and losses on our loan portfolio.

Unexpected difficulties or unanticipated developments related to the Company's strategy of de novo bank formations and openings. De novo banks typically require 13 to 24 months of operations before becoming profitable, due to the impact of organizational and overhead expenses, the startup phase of generating deposits and the time lag typically involved in redeploying deposits into attractively priced loans and other higher yielding earning assets.

The ability of the Company to obtain liquidity and income from the sale of premium finance receivables in the future and the unique collection and delinquency risks associated with such loans.

Failure to identify and complete acquisitions in the future or unexpected difficulties or unanticipated developments related to the integration of acquired entities with the Company.

Legislative or regulatory changes or actions, or significant litigation involving the Company.

Changes in general economic conditions in the markets in which the Company operates.

The ability of the Company to receive dividends from its subsidiaries.

The loss of customers as a result of technological changes allowing consumers to complete their financial transactions without the use of a bank.

The ability of the Company to attract and retain senior management experienced in the banking and financial services industries.

The Company undertakes no obligation to release revisions to these forward-looking statements or reflect events or circumstances after the date of this filing.



### ITEM 3

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As a continuing part of its financial strategy, the Company attempts to manage the impact of fluctuations in market interest rates on net interest income. This effort entails providing a reasonable balance between interest rate risk, credit risk, liquidity risk and maintenance of yield. Asset-liability management policies are established and monitored by management in conjunction with the boards of directors of the Banks, subject to general oversight by the Risk Management Committee of the Company's Board of Directors. The policy establishes 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 repricing 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 swings in net interest income in future years, as a result of interest rate movements, by performing simulation analysis of potential interest rate environments. If a potential adverse swing in net interest margin and/or net income is identified, management then would take appropriate actions with its asset-liability structure to counter these potentially adverse situations. Please refer to earlier sections of this discussion and analysis for further discussion of the net interest margin.

Since the Company's primary source of interest bearing liabilities is customer deposits, the Company's ability to manage the types and terms of such deposits may be somewhat limited by customer preferences and local competition in the market areas in which the Company operates. 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 is to measure the effect on net income and to adjust balance sheet and derivative financial instruments to minimize the inherent risk while at the same time maximize net interest income. Tools used by management include a standard gap analysis and a rate simulation model whereby changes in net interest income are measured in the event of various changes in interest rate indices. An institution with more assets than liabilities re-pricing over a given time frame is considered asset sensitive and will generally benefit from rising rates, and conversely, a higher level of re-pricing liabilities versus assets would be beneficial in a declining rate environment.

Standard gap analysis starts with contractual re-pricing information for assets, liabilities and derivative financial instruments. These items are then combined with re-pricing estimations for administered rate (NOW, savings and money market accounts) and non-rate related products (demand deposit accounts, other assets, other liabilities). These estimations recognize the relative insensitivity of these accounts to changes in market interest rates, as demonstrated through current and historical experiences. Also included are estimates for those items that are likely to materially change their payment structures in different rate environments, including residential loan products, certain commercial and commercial real estate loans and certain mortgage-related securities. Estimates for these sensitivities are based on industry assessments and are substantially driven by the differential between the contractual coupon of the item and current market rates for similar products.

The following table illustrates the Company's estimated interest rate sensitivity and periodic and cumulative gap positions as of March 31, 2005:

(Dollars in thousands)	Time to Maturity or Repricing				Total
	0-90 Days	91-365 Days	1-5 Years	Over 5 Years	
<b>Assets:</b>					
Federal funds sold and securities purchased under resale agreements	\$ 70,339				70,339
Interest-bearing deposits with banks	6,108				6,108
Available-for-sale securities	131,751	272,562	533,884	600,236	1,538,433
Total liquidity management assets	208,198	272,562	533,884	600,236	1,614,880
Loans, net of unearned income <sup>(1)</sup>	3,310,604	751,128	812,079	118,044	4,991,855
Other earning assets	33,100				33,100
Total earning assets	3,551,902	1,023,690	1,345,963	718,280	6,639,835
Other non-earning assets				705,704	705,704
Total assets (RSA)	\$3,551,902	1,023,690	1,345,963	1,423,984	7,345,539
<b>Liabilities and Shareholders Equity:</b>					
Interest-bearing deposits <sup>(2)</sup>	\$2,738,076	1,347,487	1,242,396	16,298	5,344,257
Federal Home Loan Bank advances	173	33,758	118,685	184,349	336,965
Notes payable and other borrowings	160,991				160,991
Subordinated notes	50,000				50,000
Long-term Debt Trust Preferred Securities	150,966		6,368	52,629	209,963
Total interest-bearing liabilities	3,100,206	1,381,245	1,367,449	253,276	6,102,176
Demand deposits				581,828	581,828
Other liabilities				99,320	99,320
Shareholders' equity				562,215	562,215
<b>Effect of derivative financial instruments:</b>					
Interest rate swaps (Company pays fixed, receives floating)	(160,000)		10,000	150,000	
Interest rate swap (Company pays floating, receives fixed)	31,050			(31,050)	



Total liabilities and shareholders equity including effect of derivative financial instruments (RSL)	\$2,971,256	1,381,245	1,377,449	1,615,589	7,345,539
Repricing gap (RSA RSL)	\$ 580,646	(357,555)	(31,486)	(191,605)	
Cumulative repricing gap	\$ 580,646	223,091	191,605		
Cumulative RSA/Cumulative RSL	120%	105%	103%		
Cumulative RSA/Total assets	48%	62%	81%		
Cumulative RSL/Total assets	40%	59%	78%		
Cumulative GAP/Total assets	8%	3%	3%		
Cumulative GAP/Cumulative RSA	16%	5%	3%		

(1) *Loans, net of unearned income, include mortgage loans held-for-sale and nonaccrual loans.*

(2) *Non-contractual interest-bearing deposits are subject to immediate withdrawal and, therefore, are included in 0-90 days.*

While the gap position and related ratios illustrated in the table are useful tools that management can use to assess the general positioning of the Company's and its subsidiaries' balance sheets, it is only as of a point in time. Management uses an additional measurement tool to evaluate its asset-liability sensitivity that determines exposure to changes in interest rates by measuring the percentage change in net interest income due to changes in interest rates over a two-year time horizon. Management measures its exposure to changes in interest rates using many different interest rate scenarios.

One interest rate scenario utilized is to measure the percentage change in net interest income assuming an instantaneous permanent parallel shift in the yield curve of 200 basis points, both upward and downward. Utilizing this measurement concept, the interest rate risk of the Company, expressed as a percentage change in net interest income over a two-year time horizon due to changes in interest rates, at March 31, 2005, December 31, 2004 and March 31, 2004, is as follows:

	+ 200 Basis Points	- 200 Basis Points
Percentage change in net interest income due to an instantaneous 200 basis point permanent parallel shift in the yield curve:		
<b>March 31, 2005</b>	<b>4.3%</b>	<b>(5.2)%</b>
December 31, 2004	7.4%	(10.3)%
March 31, 2004	9.8%	(30.8)%

Due to the low rate environment at December 31, 2004 and March 31, 2004, the 200 basis point instantaneous permanent downward parallel shift in the yield curve impacted a majority of the rate sensitive assets by the entire 200 basis points, while certain interest-bearing deposits were already at their floor, or repriced downward significantly less than 200 basis points.

These results are based solely on an instantaneous permanent parallel shift in the yield curve and do not reflect the net interest income sensitivity that may arise from other factors, such as changes in the shape of the yield curve or the change in spread between key market rates. The above results are conservative estimates due to the fact that no management actions to mitigate potential changes in net interest income are included in this simulation process. These management actions could include, but would not be limited to, delaying a change in deposit rates, extending the maturities of liabilities, the use of derivative financial instruments, changing the pricing characteristics of loans or modifying the growth rate of certain types of assets or liabilities.

One method utilized by financial institutions to manage interest rate risk is to enter into derivative financial instruments. A derivative financial instrument includes interest rate swaps, interest rate caps and floors, futures, forwards, option contracts and other financial instruments with similar characteristics. During the first quarter of 2005, the Company entered into four interest rate swap agreements with an aggregate notional amount of \$135 million that economically hedged \$135 million of the Debentures related to the long-term debt trust preferred securities. As of March 31, 2005, the Company had \$191 million of interest rate swaps outstanding. See Note 10 of the Financial Statements presented under Item 1 of this report for further information.

During the first quarter of 2005, the Company also entered into certain covered call option transactions related to certain securities held by the Company. The Company uses the covered call option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to mitigate the effects of an asset-sensitive balance sheet in a falling rate environment and increase the total return associated with the related securities. Although the revenue received from the covered call options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these covered call options contributes to the Company's overall profitability. The Company's exposure to interest rate risk may be impacted by these transactions as the call options may expire without being exercised, and the Company would continue to own the underlying fixed rate securities. To 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 March 31, 2005.

**ITEM 4**  
**CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer carried out an evaluation under their supervision, with the participation of other members of management as they deemed appropriate, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as contemplated by Exchange Act Rule 13a-15. 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 are effective, in all material respects, in timely alerting them to material information relating to the Company (and its consolidated subsidiaries) required to be included in the periodic reports the Company is required to file and submit to the SEC under the Exchange Act.

There were no changes in the Company's internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II Other Information**

**Item 1: Legal Proceedings.**

This item has been omitted from this Form 10-Q since it is inapplicable or would contain a negative response.

**Item 2: Unregistered Sales of Equity Securities and Use of Proceeds**

The Company's Board of Directors approved the repurchase of up to an aggregate of 450,000 shares of its common stock pursuant to the repurchase agreement that was publicly announced on January 27, 2000 (the Program). Unless terminated earlier by the Company's Board of Directors, the Program will expire when the Company has repurchased all shares authorized for repurchase thereunder. No shares were repurchased in the first quarter of 2005. As of March 31, 2005, 85,950 shares may yet be repurchased under the Program.

**Item 3: Defaults Upon Senior Securities.**

None.

**Item 4: Submission of Matters to a Vote of Security Holders.**

None

**Item 5: Other Information.**

- (a) The following information is provided in response to Item 1.01 of Form 8-K, Entry into a Material Definitive Agreement, in lieu of a separate filing of Form 8-K:

On May 9, 2005, the Company extended the maturity date of a portion of its \$51.0 million revolving loan agreement with LaSalle Bank National Association (the Agreement) to June 1, 2005. At March 31, 2005, the total amount of the Agreement is \$51.0 million, comprised of a \$25.0 million revolving note that matured on May 1, 2005 (which had no outstanding balance at March 31, 2005), a \$25.0 million revolving note that matures on February 27, 2006 (which had no outstanding balance at March 31, 2005), and a \$1.0 million note that matures on May 1, 2013. Interest is payable quarterly and calculated at a floating rate equal to, at the Company's option, either the lender's prime rate or LIBOR plus 140 basis points. At March 31, 2005, the interest rate on the notes payable was 4.31%.

The Agreement is secured by the stock of all the Company's banking subsidiaries other than Advantage National Bank, Village Bank & Trust - Arlington Heights, Beverly Bank & Trust, N.A., Wheaton Bank & Trust, Town Bank, State Bank of The Lakes and First Northwest Bank and contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. At March 31, 2005, the Company is in compliance with all debt covenants.

**Item 6: Exhibits.**

(a) Exhibits

- 3.1 Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q for the quarter ended June 30, 2005).
- 3.2 Articles of Amendment of Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.2 of the Company's Form 10-Q for the quarter ended June 30, 2005).
- 3.3 Statement of Resolution Establishing Series of Junior Serial Preferred Stock A of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.2 of the Company's Form 10-K for the year ended December 31, 1998).
- 3.4 Amended and Restated By-laws of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.3 of the Company's Form 8-K filed with the Securities and Exchange Commission on January 5, 2006).
- 4.1 Certain instruments defining the rights of holders of long-term debt of the Company and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Company and its subsidiaries on a consolidated basis, have not been filed as Exhibits. The Company hereby agrees to furnish a copy of any of these agreements to the Commission upon request.
- 10.1 Second amendment to Second Amended and Restated Loan Agreement between Wintrust Financial Corporation and LaSalle Bank National Association, dated May 1, 2005 (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended March 31, 2005).
- 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 President and Chief Executive Officer and Executive Vice President 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.

**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: April 19, 2006

/s/ DAVID L. STOEHR

David L. Stoehr  
Executive Vice President and  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

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