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

FORM 10-K

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

For the fiscal year ended December 31, 2004

**Wintrust Financial Corporation**

(Exact name of registrant as specified in its charter)

**0-21923**

Commission File Number

**Illinois**

(State of incorporation or organization)

**36-3873352**

(I.R.S. Employer Identification No.)

**727 North Bank Lane  
Lake Forest, Illinois 60045**

(Address of principal executive offices)

**(847) 615-4096**

(Registrant's telephone number, including area code)

**Common Stock, no par value\***

**9.00% Cumulative Trust Preferred Securities (and related Guarantee)**

**10.50% Cumulative Trust Preferred Securities (and related Guarantee)**

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).  Yes  No

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2004 (the last business day of the registrant's most recently completed second quarter), determined using the closing price of the common stock on that day of \$50.51, as reported by the Nasdaq National Market, was \$978,440,070.

As of March 7, 2005, the registrant had 21,833,717 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended December 31, 2004, which is included as Exhibit 13.1 to this Form 10-K, are incorporated by reference into Parts I and II hereof and portions of the Proxy Statement for the Company's Annual Meeting of Shareholders to be held on May 26, 2005 are incorporated by reference into Part III.

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\* including Preferred Share Purchase Rights related thereto

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PART I

ITEM 1. BUSINESS

Wintrust Financial Corporation, an Illinois corporation (“Wintrust” or “the Company”), is a financial holding company based in Lake Forest, Illinois, with total assets of approximately \$6.4 billion at December 31, 2004. The Company engages in the business of providing traditional community banking services, trust and investment services, commercial insurance premium financing, short-term accounts receivable financing, and certain administrative services, such as data processing of payrolls, billing and cash management services.

The Company provides community-oriented, personal and commercial banking services to customers located in the greater Chicago, Illinois and southern Wisconsin metropolitan areas through its thirteen wholly-owned banking subsidiaries (collectively, “Banks”). The Banks are Lake Forest Bank and Trust Company (“Lake Forest Bank”), Hinsdale Bank and Trust Company (“Hinsdale Bank”), North Shore Community Bank and Trust Company (“North Shore Bank”), Libertyville Bank and Trust Company (“Libertyville Bank”), Barrington Bank and Trust Company, N.A. (“Barrington Bank”), Crystal Lake Bank & Trust Company, N.A. (“Crystal Lake Bank”), Northbrook Bank & Trust Company (“Northbrook Bank”), Advantage National Bank (“Advantage Bank”), Village Bank & Trust Company –Arlington Heights (“Village Bank”), Beverly Bank & Trust Company, N.A. (“Beverly Bank”), Wheaton Bank & Trust Company (“Wheaton Bank”), Town Bank and State Bank of The Lakes. Wintrust acquired Advantage Bank and Village Bank in the fourth quarter of 2003, Wheaton Bank and Town Bank in September and October 2004, respectively, and State Bank of The Lakes in January 2005. Beverly Bank began operations as a *de novo* bank in April 2004.

The Company provides a full range of wealth management services through four separate subsidiaries, including Wayne Hummer Trust Company, N.A. (“WHTC”), Wayne Hummer Investments, LLC (“WHI”), a broker-dealer and subsidiary of North Shore Bank, Wayne Hummer Asset Management Company (“WHAMC”), a registered investment adviser, and Focused Investments, LLC (“Focused”), a broker-dealer and subsidiary of WHI. The Company acquired WHI, Focused and WHAMC in February 2002 and these companies are sometimes referred to collectively as the Wayne Hummer Companies.

The Company provides financing for the payment of commercial insurance premiums (“premium finance receivables”), on a national basis, through First Insurance Funding Corporation (“FIFC”), a wholly-owned subsidiary of Crabtree Capital Corporation (“Crabtree”) which is a wholly-owned subsidiary of Lake Forest Bank, and short-term accounts receivable financing (“Tricom finance receivables”) and out-sourced administrative services, such as data processing of payrolls, billing and cash management services to clients in the temporary staffing industry located throughout the United States, through Tricom, Inc. of Milwaukee (“Tricom”), a wholly-owned subsidiary of Hinsdale Bank.

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 the document preparation and other loan closing

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services to WestAmerica and its network of mortgage brokers. WestAmerica and Guardian are wholly-owned subsidiaries of Barrington Bank. In September 2004, the Company also acquired Northview Mortgage, LLC in connection with its purchase of Northview Financial Corporation. Northview Mortgage, LLC currently operates as a mortgage broker and is a direct subsidiary of Wintrust. Mortgage banking operations are also performed within each of the Banks.

As a mid-size financial services company, management expects to benefit from greater access to financial and managerial resources while maintaining its commitment to local decision-making and to its community banking philosophy. Management also believes the Company is positioned to compete more effectively with other larger and more diversified banks, bank holding companies and other financial services companies as it continues to execute its growth strategy through additional branch openings and *de novo* bank formations, expansion of its wealth management and premium finance business, development of additional specialized earning asset niches and potential acquisitions of other community-oriented banks or specialty finance companies.

Additional information regarding the Company's business and strategies is included in the "Management's Discussion and Analysis" section of the 2004 Annual Report to Shareholders, which is filed as Exhibit 13.1 to this Form 10-K and is incorporated herein by reference and constitutes a part of this report.

### **Community Banking**

The Company provides banking and financial services primarily to individuals, small to mid-sized businesses, local governmental units and institutional clients residing primarily in the Banks' local service areas. These services include traditional demand, NOW, money market, savings and time deposit accounts, as well as a number of unique deposit products targeted to specific market segments. The Banks offer home equity, home mortgage, consumer, real estate and commercial loans, safe deposit facilities, ATMs, and other innovative and traditional services specially tailored to meet the needs of customers in their market areas.

Wintrust organized eight of its thirteen Bank subsidiaries as *de novo* banks. The organizational efforts began in 1991, when a group of experienced bankers and local business people identified an unfilled niche in the Chicago metropolitan area retail banking market. As large banks acquired smaller ones and personal service was subjected to consolidation strategies, the opportunity increased in affluent suburbs for locally owned and operated, highly personal service-oriented banks. As a result, Lake Forest Bank was founded in December 1991 to service the Lake Forest and Lake Bluff communities. Following the same business plan, the Company started Hinsdale Bank in 1993 to service the communities of Hinsdale and Burr Ridge, North Shore Bank in 1994 to service the communities of Wilmette and Kenilworth, Libertyville Bank in 1995 to service the communities of Libertyville, Vernon Hills and Mundelein, Barrington Bank in 1996 to service the greater Barrington/Inverness areas, Crystal Lake Bank in 1997 to service the communities of Crystal Lake and Cary, Northbrook Bank in 2000 to service the communities of Northbrook, Glenview and Deerfield and Beverly Bank in 2004 to service the communities of Beverly Hills and Morgan Park on the southwest side of Chicago. Since the initial openings of these eight banks, each has opened several additional branches in adjacent and nearby communities to expand their franchise, with the exception of Beverly Bank which opened for business in 2004.

Wintrust completed its first bank acquisition in the fourth quarter of 2003, with the acquisitions of Advantage Bank in October 2003 and Village Bank in December 2003. Wintrust acquired Northview

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Bank & Trust Company in September 2004, and in December 2004, Wintrust relocated the bank's charter to its Wheaton branch and renamed the bank Wheaton Bank & Trust Company. In October 2004, Wintrust acquired Town Bank with locations in Delafield and Madison, Wisconsin. Town Bank represents the Company's first banking operation outside of Illinois. In January 2005, the Company completed its acquisition of Antioch Holding Company and its wholly-owned subsidiary, State Bank of The Lakes. State Bank of The Lakes differs from the Company's other bank subsidiaries in that its charter dates back to 1894. Each of the five banks acquired by the Company shares the same commitment to community banking as the eight banks the Company organized. As of December 31, 2004, the Company had 50 banking locations and added five additional locations in January 2005 with the acquisition of State Bank of The Lakes. In November 2004, the Company signed a definitive agreement to acquire First Northwest Bancorp, Inc. and its wholly-owned subsidiary First Northwest Bank. The transaction has received all necessary regulatory approvals and is expected to close by the second quarter of 2005. First Northwest Bank has two banking locations in Arlington Heights, Illinois.

The deposits of each of the Banks are insured by the Federal Deposit Insurance Company ("FDIC") and each Bank is subject to regulation, supervision and regular examination by: (1) the Commissioner of the Illinois Department of Financial and Professional Regulation and the Federal Reserve Bank or FDIC for Illinois-chartered banks; (2) the Office of the Comptroller of Currency ("OCC") for the nationally-chartered banks or (3) the Wisconsin Department of Financial Institutions and the Federal Reserve Bank for Town Bank.

### **Wealth Management Activities**

The Company currently offers a full range of wealth management services through four separate subsidiaries, including trust and investment services, asset management and securities brokerage services marketed primarily under the Wayne Hummer name. Wintrust acquired the Wayne Hummer Companies, based in the Chicago area, in February 2002. WHI, the Company's broker/dealer subsidiary, has been in operation since 1931. To further expand the Company's wealth management business, in February 2003, the Company acquired Lake Forest Capital Management Company, a registered investment advisor with approximately \$300 million of assets under management upon acquisition. Lake Forest Capital was merged into WHAMC. Through WHTC, the Company offers trust and investment management services to existing Bank customers as well as targeting small to mid-size businesses and affluent individuals whose needs command the personalized attention offered by its experienced trust professionals. Assets under administration and/or management by WHTC as of December 31, 2004 were approximately \$633 million. WHTC is subject to regulation, supervision and regular examination by the OCC.

Through WHI, a registered broker/dealer, the Company provides a full range of private client and securities brokerage services to clients located primarily in the Midwest. WHI client assets were approximately \$5.1 billion at December 31, 2004. WHI is headquartered in downtown Chicago, operates an office in Appleton, Wisconsin, and as of December 31, 2004, established branch locations in offices at Lake Forest Bank, Hinsdale Bank, Libertyville Bank, Barrington Bank, Crystal Lake Bank, Advantage Bank and Town Bank. Focused, a broker/dealer and wholly-owned subsidiary of WHI, provides a full range of investment services to clients through a network of relationships with community-based financial institutions primarily located in Illinois.

WHAMC, a registered investment adviser, provides money management services and advisory services to individuals and institutional municipal and tax-exempt organizations, as well as its two

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proprietary mutual funds. In addition, WHAMC also provides portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHAMC had approximately \$1.0 billion of assets under management at December 31, 2004.

### **Specialty Lending**

The Company conducts its specialty lending business through indirect non-bank subsidiaries and divisions of its Banks.

FIFC, headquartered in Northbrook, Illinois, is the Company's most significant specialized lending niche. 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 nation. 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. Due to the indirect nature of this lending and because the borrowers are located nationwide, this segment may be more susceptible to third party fraud. During 2004, FIFC originated approximately \$2.6 billion of premium finance receivables. The majority of these loans were 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, the Company has also been selling some of its loan originations to an unrelated third party, with servicing retained, since 1999. The Company sold approximately \$496 million, or 19%, of the premium finance receivables generated in 2004. FIFC is licensed or otherwise qualified to do business as an insurance premium finance company in all 50 states and the District of Columbia.

Tricom was acquired by Hinsdale Bank in October 1999 as part of the Company's strategy to pursue specialty lending niches. It is located in Milwaukee, Wisconsin and has been in business over twelve years. Through Tricom, the Company provides high-yielding, short-term accounts receivable financing and value-added, outsourced administrative services, such as data processing of payrolls, billing and cash management services to the temporary staffing industry. Tricom's clients, located throughout the United States, provide staffing services to businesses in diversified industries. During 2004, Tricom processed payrolls with associated client billings of approximately \$354 million and contributed approximately \$7.8 million of revenue, net of interest expense, to the Company.

The Company also engages in several other specialty lending areas through divisions of the Banks. Hinsdale Bank operates an indirect auto lending program which originates new and used automobile loans that are purchased by all of the Banks. The loans are generated through a network of automobile dealers located in the Chicago area with which Hinsdale Bank has established relationships. The indirect automobile loans are secured by new and used vehicles and are diversified among many individual borrowers. Like other consumer loans, the indirect auto loans are subject to the Banks' established credit standards. We regard substantially all of these loans as prime quality loans. Management continually monitors the dealer relationships to deter third party fraud, and the Banks are not dependent on any one dealer as a source of such loans. At December 31, 2004, our indirect auto loans were \$172 million and comprised approximately 4% of our loan portfolio. Management is not pursuing growth in this segment and anticipates that this portfolio will comprise a smaller portion of the net loan portfolio in the future. Other specialty lending conducted through the Banks include Lake Forest Bank's equipment leasing program,

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Barrington Bank's Community Advantage program which provides lending, deposit and cash management services to condominium, homeowner and community associations, Hinsdale Bank's mortgage warehouse lending program which provides loan and deposit services to mortgage brokerage companies located predominantly in the Chicago metropolitan area, and Crystal Lake Bank's North American Aviation Financing division which provides small aircraft lending. These specialty loans and leases generated through divisions of the Banks comprised approximately 7.7% of the Company's loan and lease portfolio at December 31, 2004.

WestAmerica and Guardian were acquired by Barrington Bank in May 2004 to enhance and diversify the Company's revenue sources and earning asset base. WestAmerica originates and purchases residential mortgages for sale into the secondary market, and Guardian provides document preparation and other loan closing services to WestAmerica and its network of mortgage brokers. WestAmerica sells its loans servicing released and does not currently engage in mortgage loan servicing. WestAmerica is headquartered in Greenwood Village, Colorado and maintain principal origination offices in seven states, including Illinois, and originates loans in other states through wholesale and correspondent offices. Guardian is headquartered in Oakbrook Terrace, Illinois. 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 expand the mortgage products offered to the Banks' customers. WestAmerica's production of adjustable rate mortgage loan products may be retained by the Banks in their loan portfolios resulting in additional earning assets to the combined organization.

### Competition

The Company competes in the commercial banking industry through the Banks in the communities each serves. The commercial banking industry is highly competitive, and the Banks face strong direct competition for deposits, loans, and other financial-related services. The Banks compete directly in Cook, DuPage, Lake and McHenry counties in Illinois and in Delafield and Madison, Wisconsin, with other commercial banks, thrifts, credit unions, stockbrokers, and the finance divisions of automobile companies. Some of these competitors are local, while others are statewide or nationwide. The Banks have developed a community banking and marketing strategy. In keeping with this strategy, the Banks provide highly personalized and responsive service, a characteristic of locally-owned and managed institutions. As such, the Banks compete for deposits principally by offering depositors a variety of deposit programs, convenient office locations, hours and other services, and for loan originations primarily through the interest rates and loan fees they charge, the efficiency and quality of services they provide to borrowers and the variety of their loan products. Some of the financial institutions and financial services organizations with which the Banks compete are not subject to the same degree of regulation as imposed on financial holding companies, Illinois or Wisconsin state banks and national banking associations. In addition, the larger banking organizations have significantly greater resources than those available to the Banks. As a result, such competitors have advantages over the Banks in providing certain non-deposit services.

FIFC encounters intense competition from numerous other firms, including a number of national commercial premium finance companies, companies affiliated with insurance carriers, independent insurance brokers who offer premium finance services, banks and other lending institutions. Some of FIFC's competitors are larger and have greater financial and other resources and are better known than FIFC. FIFC competes with these entities by emphasizing a high level of knowledge of the insurance industry, flexibility in structuring financing transactions, and the timely purchase of qualifying contracts. FIFC believes that its commitment to account service also distinguishes it from

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its competitors. It is FIFC's policy to notify the insurance agent when an insured is in default and to assist in collection, if requested by the agent. To the extent that affiliates of insurance carriers, banks, and other lending institutions add greater service and flexibility to their financing practices in the future, the Company's operations could be adversely affected. There can be no assurance that FIFC will be able to continue to compete successfully in its markets.

The Company's wealth management companies (WHTC, WHI, WHAMC and Focused) compete with more established wealth management subsidiaries of other larger bank holding companies as well as with other trust companies, brokerage and other financial service companies, stockbrokers and financial advisors. The Company believes it can successfully compete for trust, asset management and brokerage business by offering personalized attention and customer service to small to mid-size businesses and affluent individuals. The Company continues to recruit and hire experienced professionals from the more established Chicago area wealth management companies, which is expected to help in attracting new customer relationships. There can be no assurances, however, that WHTC, WHI, WHAMC and Focused will be successful in establishing themselves as a preferred alternative to the larger wealth management companies.

WestAmerica and Guardian, as well as Northview Mortgage, LLC and the mortgage banking functions within the Banks, compete with large mortgage brokers as well as other banking organizations. The mortgage banking business is very competitive and significantly impacted by changes in mortgage interest rates. The Company believes that mortgage banking revenue will be a continuous source of revenue, but the level of revenue will be impacted by changes in mortgage interest rates. There can be no assurance that our mortgage banking operations will be able to continue to compete successfully in the future.

Tricom competes with numerous other firms, including a small number of similar niche finance companies and payroll processing firms, as well as various finance companies, banks and other lending institutions. Tricom management believes that its commitment to service distinguishes itself from competitors. To the extent that other finance companies, financial institutions and payroll processing firms add greater programs and services to their existing businesses, Tricom's operations could be adversely affected. There can be no assurance that Tricom will be able to continue to compete successfully in its markets.

### **Employees**

At December 31, 2004, the Company and its subsidiaries employed a total of 1,414 full-time-equivalent employees. The Company provides its employees with comprehensive medical and dental benefit plans, life insurance plans, 401(k) plans and an employee stock purchase plan. The Company considers its relationship with its employees to be good.

### **Available Information**

The Company's internet address is [www.wintrust.com](http://www.wintrust.com). The Company makes available at this address, free of charge, its annual report on Form 10-K, its annual reports to shareholders, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

**Forward-looking Statements**

This document contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. 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 acquisition 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:

- The level of reported net income, return on average assets and return on average equity for the Company will in the near term continue to be impacted by start-up costs associated with *de novo* bank formations, branch openings, and expanded wealth management services. *De novo* banks typically require 13 to 24 months of operations before becoming profitable, due to the impact of organizational and overhead expenses, the start-up phase of generating deposits and the time lag typically involved in redeploying deposits into attractively priced loans and other higher yielding earning assets. Similarly, the expansion of wealth management services will depend on the successful integration of these businesses into the Company's banking locations.
- The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- Although management believes the allowance for loan losses is adequate to absorb losses inherent in the existing portfolio of loans and leases, there can be no assurance that the allowance will prove sufficient to cover actual loan or lease losses.
- If market interest rates should move contrary to the Company's gap position on interest earning assets and interest bearing liabilities, the "gap" will work against the Company and its net interest income may be negatively affected.
- The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- The Company's ability to adapt successfully to technological changes will affect its ability to compete effectively in the marketplace.
- Future events may cause slower than anticipated development and growth of the Tricom business should the temporary staffing industry experience slowness.

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- Changes in the economic environment, competition, or other factors, may influence the anticipated growth rate of loans and deposits, the quality of the loan portfolio and the pricing of loans and deposits and may affect the Company's ability to successfully pursue acquisition and expansion strategies.
- The conditions in the financial markets and economic conditions generally, as well as unforeseen future events surrounding the wealth management business, including competition and related pricing of brokerage, trust and asset management products.
- Unexpected difficulties or unanticipated developments related to the integration of WestAmerica and Guardian with the Company.
- Unexpected difficulties or unanticipated developments related to the Company's newest *de novo* bank, Beverly Bank,
- Unexpected difficulties or unanticipated developments related to the integration of Northview Financial Corporation, Town Bankshares, Ltd. and Antioch Holding Company and each of their subsidiaries with the Company.
- Unforeseen difficulties or unanticipated developments related to the pending acquisition of First Northwest Bancorp, Inc. and its wholly-owned subsidiary, First Northwest Bank, which is anticipated to occur by the second quarter of 2005.

## **Supervision and Regulation**

Bank holding companies, banks and investment firms are extensively regulated under federal and state law. References under this heading to applicable statutes or regulations are brief summaries or portions thereof which do not purport to be complete and which are qualified in their entirety by reference to those statutes and regulations. Any change in applicable laws or regulations may have a material effect on the business of commercial banks and bank holding companies, including the Company, the Banks, FIFC, WHTC, WHI, WHAMC, Focused, Tricom, WestAmerica and Guardian. However, management is not aware of any current recommendations by any regulatory authority which, if implemented, would have or would be reasonably likely to have a material effect on liquidity, capital resources, or operations of the Company, the Banks, FIFC, WHTC, WHI, WHAMC, Focused, Tricom, WestAmerica or Guardian. The supervision, regulation and examination of banks and bank holding companies by bank regulatory agencies are intended primarily for the protection of depositors rather than stockholders of banks and bank holding companies.

## **Bank Holding Company Regulation**

In connection with its acquisition of the Wayne Hummer Companies, in early 2002 the Company became a "financial holding company" as provided in the Gramm-Leach-Bliley Act (the "GLB Act"). The GLB Act, enacted in November 1999, established a comprehensive framework to permit affiliations among commercial banks, insurance companies and securities firms. Under the GLB Act, bank holding companies approved as financial holding companies may engage in an expanded range of activities, including the businesses conducted by the Wayne Hummer Companies. Banking subsidiaries of financial holding companies are required to be "well capitalized" and "well-managed" as defined in the applicable regulatory standards. If these

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conditions are not maintained, and the financial holding company fails to correct any deficiency within 180 days, the Federal Reserve may require the Company to either divest control of its banking subsidiaries or, at the election of the Company, cease to engage in any activities not permissible for a bank holding company.

The Company continues to be subject to supervision and regulation by the Federal Reserve under the Bank Holding Company Act (the Bank Holding Company Act, as amended by the GLB Act, and the regulations issued thereunder, are collectively the “BHC Act”). The Company is required to file with the Federal Reserve periodic reports and such additional information as the Federal Reserve may require pursuant to the BHC Act. The Federal Reserve examines the Company and may examine the Banks and the Company’s other subsidiaries.

The BHC Act requires prior Federal Reserve approval for, among other things, the acquisition by a bank holding company of direct or indirect ownership or control of more than 5% of the voting shares or substantially all the assets of any bank, or for a merger or consolidation of a bank holding company with another bank holding company. With certain exceptions, the BHC Act prohibits a financial holding company from acquiring direct or indirect ownership or control of voting shares of any company which is not a business that is financial in nature or incidental thereto, and from engaging directly or indirectly in any activity that is not financial in nature or incidental thereto. Also, as discussed below, the Federal Reserve expects bank holding companies to maintain strong capital positions while experiencing growth. The Federal Reserve, as a matter of policy, may require a bank holding company to be well-capitalized at the time of filing an acquisition application and upon consummation of the acquisition.

Under the BHC Act and Federal Reserve regulations, the Company and the Banks are prohibited from engaging in certain tie-in arrangements in connection with an extension of credit, lease, sale of property, or furnishing of services. That means that, except with respect to traditional banking products, the Banks may not condition a customer’s purchase of services on the purchase of other services from any of the Banks or other subsidiaries of the Company.

Since several of the Company’s bank subsidiaries are Illinois-chartered Banks, the Company is also subject to regular examination by the Commissioner of the Illinois Department of Financial and Professional Regulation (the “Illinois Commissioner”).

Under the Illinois Banking Act, any person who acquires more than 10% of the Company’s stock may be required to obtain the prior approval of the Illinois Commissioner. Similarly, under the Change in Bank Control Act, a person may be required to obtain the prior regulatory approval of the Federal Reserve before acquiring control of 10% or more of any class of the Company’s outstanding stock.

It is the policy of the Federal Reserve that the Company is expected to act as a source of financial strength to its subsidiaries, and to commit resources to support the subsidiaries. The Federal Reserve takes the position that in implementing this policy, it may require the Company to provide such support when the Company otherwise would not consider itself able to do so.

The Federal Reserve has adopted risk-based capital requirements for assessing bank holding company capital adequacy. These standards define regulatory capital and establish minimum capital ratios in relation to assets, both on an aggregate basis and as adjusted for credit risks and off-balance sheet exposures. Under the Federal Reserve’s risk-based guidelines, capital is classified into two categories. For bank holding companies, Tier 1 capital, or “core” capital,

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consists of common stockholders' equity, qualifying noncumulative perpetual preferred stock (including related surplus), qualifying cumulative perpetual preferred stock (including related surplus) (subject to certain limitations) and minority interests in the common equity accounts of consolidated subsidiaries, and is reduced by goodwill and specified intangible assets ("Tier 1 Capital"). Tier 2 capital, or "supplementary" capital, consists of the following items, all of which are subject to certain conditions and limitations: the allowance for loan and lease losses; perpetual preferred stock and related surplus; hybrid capital instruments; unrealized holding gains on marketable equity securities; perpetual debt and mandatory convertible debt securities; term subordinated debt and intermediate-term preferred stock.

Under the Federal Reserve's capital guidelines, bank holding companies are required to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 Capital to total assets of 3.0% for strong bank holding companies (those rated a composite "1" under the Federal Reserve's rating system). For all other bank holding companies, the minimum ratio of Tier 1 Capital to total assets is 4%. In addition, the Federal Reserve continues to consider the Tier 1 leverage ratio (Tier 1 capital to average quarterly assets) in evaluating proposals for expansion or new activities.

In its capital adequacy guidelines, the Federal Reserve emphasizes that the foregoing standards are supervisory minimums and that banking organizations generally are expected to operate well above the minimum ratios. These guidelines also provide that banking organizations experiencing growth, whether internally or through acquisitions, are expected to maintain strong capital positions substantially above the minimum levels.

As of December 31, 2004, the Company's total capital to risk-weighted assets ratio was 12.2%, its Tier 1 Capital to risk-weighted asset ratio was 9.8% and its leverage ratio was 8.4%.

**Dividend Limitations.** Because the Company's consolidated net income consists largely of net income of the Banks and its non-bank subsidiaries, the Company's ability to pay dividends depends upon its receipt of dividends from these entities. Federal and state statutes and regulations impose restrictions on the payment of dividends by the Company, the Banks and its non-bank subsidiaries. (See Part II, Item 5 for further discussion of dividend limitations.)

Federal Reserve policy provides that a bank holding company should not pay dividends unless (i) the bank holding company's net income over the prior year is sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries. Additionally, the Federal Reserve possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to prohibit or limit the payment of dividends by bank holding companies.

Illinois law also places certain limitations on the ability of the Company to pay dividends. For example, the Company may not pay dividends to its shareholders if, after giving effect to the dividend, the Company would not be able to pay its debts as they become due. Since a major potential source of the parent company's revenue is dividends it expects to receive from the Banks, the Company's ability to pay dividends is likely to be dependent on the amount of

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dividends paid by the Banks. No assurance can be given that the Banks will, in any circumstances, pay dividends to the Company.

### **Bank Regulation**

Lake Forest Bank, Hinsdale Bank, North Shore Bank, Libertyville Bank, Northbrook Bank, Village Bank, Wheaton Bank and State Bank of The Lakes are Illinois-chartered banks and as such they and their subsidiaries are subject to supervision and examination by the Illinois Commissioner. Each of these Illinois-chartered Banks, with the exception of State Bank of The Lakes, is a member of the Federal Reserve Bank and, as such, is subject to additional examination by the Federal Reserve Bank as their primary federal regulator. State Bank of The Lakes is subject to additional examination by the FDIC as its primary federal regulator. Barrington Bank, Crystal Lake Bank, Advantage Bank, Beverly Bank and WHTC are federally-chartered and are subject to supervision and examination by the Office of the Comptroller of the Currency (“OCC”) pursuant to the National Bank Act and regulations promulgated thereunder. Town Bank is a Wisconsin-chartered bank and as such is subject to supervision by the Wisconsin Department of Financial Institutions.

The deposits of the Banks are insured by the Bank Insurance Fund under the provisions of the Federal Deposit Insurance Act (the “FDIA”), and the Banks are, therefore, also subject to supervision and examination by the FDIC. The FDIA requires that the appropriate federal regulatory authority (the Federal Reserve Bank in the case of Lake Forest Bank, North Shore Bank, Hinsdale Bank, Libertyville Bank, Northbrook Bank, Village Bank, Wheaton Bank and Town Bank, the OCC, in the case of Barrington Bank, Crystal Lake Bank, Beverly Bank and Advantage Bank and the FDIC in the case of State Bank of The Lakes) approve any merger and/or consolidation by or with an insured bank, as well as the establishment or relocation of any bank or branch office. The FDIA also gives the Federal Reserve, the OCC and the other federal bank regulatory agencies power to issue cease and desist orders against banks, holding companies or persons regarded as “institution affiliated parties.” A cease and desist order can either prohibit such entities from engaging in certain unsafe and unsound bank activity or can require them to take certain affirmative action. The FDIC also supervises compliance with the provisions of federal law and regulations which, in addition to other requirements, place restrictions on loans by FDIC-insured banks to their directors, executive officers and other controlling persons.

### **Financial Institution Regulation Generally**

***Transactions with Affiliates*** . Transactions between a bank and its holding company or other affiliates are subject to various restrictions imposed by state and federal regulatory agencies. Such transactions include loans and other extensions of credit, purchases of securities and other assets, and payments of fees or other distributions. In general, these restrictions limit the amount of transactions between an institution and an affiliate of such institution, as well as the aggregate amount of transactions between an institution and all of its affiliates, and require transactions with affiliates to be on terms comparable to those for transactions with unaffiliated entities.

***Capital Requirements*** . Capital requirements for the Banks generally parallel the capital requirements previously noted for bank holding companies. Each of the Banks is subject to applicable capital requirements on a separate company basis. The federal banking regulators must take prompt corrective action with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. There are five capital tiers: “well-capitalized”, “adequately-capitalized”, “undercapitalized”, “significantly undercapitalized” and “critically undercapitalized”.

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As of December 31, 2004, each of the Company's Banks was categorized as "well-capitalized." Because the Company is designated as a financial holding company, each of the Banks is required to maintain capital ratios at or above the "well-capitalized" levels.

**Prompt Corrective Action** . The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the federal banking regulators, including the Federal Reserve, the OCC and the FDIC, to take prompt corrective action with respect to depository institutions that fall below minimum capital standards and prohibits any depository institution from making any capital distribution that would cause it to be undercapitalized. Institutions that are not adequately capitalized may be subject to a variety of supervisory actions including, but not limited to, restrictions on growth, investment activities, capital distributions and affiliate transactions and will be required to submit a capital restoration plan which, to be accepted by the regulators, must be guaranteed in part by any company having control of the institution (such as the Company). In other respects, FDICIA provides for enhanced supervisory authority, including greater authority for the appointment of a conservator or receiver for undercapitalized institutions. The capital-based prompt corrective action provisions of FDICIA and their implementing regulations apply to FDIC-insured depository institutions. However, federal banking agencies have indicated that, in regulating bank holding companies, the agencies may take appropriate action at the holding company level based on their assessment of the effectiveness of supervisory actions imposed upon subsidiary insured depository institutions pursuant to the prompt corrective action provisions of FDICIA.

**Dividends**. As Illinois state-chartered banks, Lake Forest Bank, North Shore Bank, Hinsdale Bank, Libertyville Bank, Northbrook Bank, Village Bank, Wheaton Bank and State Bank of The Lakes, may not pay dividends in an amount greater than their current net profits after deducting losses and bad debts out of undivided profits provided that its surplus equals or exceeds its capital. For the purpose of determining the amount of dividends that an Illinois bank may pay, bad debts are defined as debts upon which interest is past due and unpaid for a period of six months or more unless such debts are well-secured and in the process of collection. Furthermore, federal regulations also prohibit any Federal Reserve member bank, including each of the Banks and WHTC, from declaring dividends in any calendar year in excess of its net income for the year plus the retained net income for the preceding two years, less any required transfers to the surplus account. Similarly, as national associations supervised by the OCC, Barrington Bank, Crystal Lake Bank, Beverly Bank, Advantage Bank and WHTC may not declare dividends in any year in excess of its net income for the year plus the retained net income for the preceding two years, less any required transfers to the surplus account. Furthermore, the OCC may, after notice and opportunity for hearing, prohibit the payment of a dividend by a national bank if it determines that such payment would constitute an unsafe or unsound practice.

In addition to the foregoing, the ability of the Company, the Banks and WHTC to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under the FDICIA, as described below. The right of the Company, its shareholders and its creditors to participate in any distribution of the assets or earnings of its subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

**Standards for Safety and Soundness** . The FDIA, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994 requires the Federal Reserve, together with the other federal bank regulatory agencies, to prescribe standards of safety and soundness, by regulations or guidelines, relating generally to operations and management, asset

growth, asset quality, earnings, stock valuation, and compensation. The Federal Reserve, the OCC and the other federal bank regulatory agencies have adopted a set of guidelines prescribing safety and soundness standards pursuant to FDICIA, as amended. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, each of the Federal Reserve and the OCC adopted regulations that authorize, but do not require, the Federal Reserve or the OCC, as the case may be, to order an institution that has been given notice by the Federal Reserve or the OCC, as the case may be, that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the Federal Reserve or the OCC, as the case may be, must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized association is subject under the “prompt corrective action” provisions of FDICIA. If an institution fails to comply with such an order, the Federal Reserve or the OCC, as the case may be, may seek to enforce such order in judicial proceedings and to impose civil money penalties. The Federal Reserve, the OCC and the other federal bank regulatory agencies also adopted guidelines for asset quality and earnings standards.

A range of other provisions in FDICIA include requirements applicable to: closure of branches; additional disclosures to depositors with respect to terms and interest rates applicable to deposit accounts; uniform regulations for extensions of credit secured by real estate; restrictions on activities of and investments by state-chartered banks; modification of accounting standards to conform to generally accepted accounting principles including the reporting of off-balance sheet items and supplemental disclosure of estimated fair market value of assets and liabilities in financial statements filed with the banking regulators; increased penalties in making or failing to file assessment reports with the FDIC; greater restrictions on extensions of credit to directors, officers and principal shareholders; and increased reporting requirements on agricultural loans and loans to small businesses.

In addition, the Federal Reserve, OCC, FDIC and other federal banking agencies adopted a final rule, which modified the risk-based capital standards, to provide for consideration of interest rate risk when assessing the capital adequacy of a bank. Under this rule, the Federal Reserve, the OCC and the FDIC must explicitly include a bank’s exposure to declines in the economic value of its capital due to changes in interest rates as a factor in evaluating a bank’s capital adequacy. The Federal Reserve, the FDIC, the OCC and other federal banking agencies also have adopted a joint agency policy statement providing guidance to banks for managing interest rate risk. The policy statement emphasizes the importance of adequate oversight by management and a sound risk management process. The assessment of interest rate risk management made by the banks’ examiners will be incorporated into the banks’ overall risk management rating and used to determine the effectiveness of management.

***Insurance of Deposit Accounts*** . Under FDICIA, as an FDIC-insured institution, each of the Banks is required to pay deposit insurance premiums based on the risk it poses to the Bank Insurance Fund (“BIF”). The FDIC has authority to raise or lower assessment rates on insured

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deposits in order to achieve statutorily required reserve ratios in the insurance funds and to impose special additional assessments. Each depository institution is assigned to one of three capital groups: “well capitalized,” “adequately capitalized” or “undercapitalized.” An institution is considered well capitalized if it has a total risk-based capital ratio of 10% or greater, has a Tier 1 risk-based capital ratio of 6% or greater, has a leverage ratio of 5% or greater and is not subject to any order or written directive to meet and maintain a specific capital level. An “adequately capitalized” institution is defined as one that has a total risk-based capital ratio of 8% or greater, has a Tier 1 risk-based capital ratio of 4% or greater, has a leverage ratio of 4% or greater and does not meet the definition of a well capitalized bank. An institution is considered “undercapitalized” if it does not meet the definition of “well capitalized” or “adequately capitalized.” Within each capital group, institutions are assigned to one of three supervisory subgroups: “A” (institutions with few minor weaknesses), “B” (institutions which demonstrate weaknesses which, if not corrected, could result in significant deterioration of the institution and increased risk of loss to the BIF), and “C” (institutions that pose a substantial probability of loss to BIF unless effective corrective action is taken). Accordingly, there are nine combinations of capital groups and supervisory subgroups to which varying assessment rates are applicable. An institution’s assessment rate depends on the capital category and supervisory category to which it is assigned.

During 2004, the Banks paid deposit insurance premiums in the aggregate amount of \$629,000.

Deposit insurance may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. Such terminations can only occur, if contested, following judicial review through the federal courts. The management of each of the Banks does not know of any practice, condition or violation that might lead to termination of deposit insurance.

**Federal Reserve System .** The Banks are subject to Federal Reserve regulations requiring depository institutions to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The Federal Reserve regulations generally require 3.0% reserves on the first \$47.6 million of transaction accounts plus 10.0% on the remainder. The first \$7.0 million of otherwise reservable balances (subject to adjustments by the Federal Reserve) are exempted from the reserve requirements. The Banks are in compliance with the foregoing requirements.

**Community Reinvestment .** Under the Community Reinvestment Act (“CRA”), a financial institution has a continuing and affirmative obligation, consistent with the safe and sound operation of such institution, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution’s discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. However, institutions are rated on their performance in meeting the needs of their communities. Performance is judged in three areas: (a) a lending test, to evaluate the institution’s record of making loans in its assessment areas; (b) an investment test, to evaluate the institution’s record of investing in community development projects, affordable housing and programs benefiting low or moderate income individuals and business; and (c) a service test, to evaluate the institution’s delivery of services through its branches, ATMs and other offices. The CRA requires each federal banking agency, in connection with its examination of a financial institution, to assess and assign one of four ratings to the institution’s record of meeting the credit

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needs of its community and to take such record into account in its evaluation of certain applications by the institution, including applications for charters, branches and other deposit facilities, relocations, mergers, consolidations, acquisitions of assets or assumptions of liabilities, and savings and loan holding company acquisitions. The CRA also requires that all institutions make public disclosure of their CRA ratings. Each of the Banks received a “satisfactory” rating from the Federal Reserve, the OCC or the FDIC on their most recent CRA performance evaluations. Because the Company is a financial holding company, failure of any of the Banks to maintain “satisfactory” CRA ratings could restrict further expansion of the Company’s or the Banks’ activities.

**Brokered Deposits .** Well-capitalized institutions are not subject to limitations on brokered deposits, while an adequately capitalized institution is able to accept, renew or rollover brokered deposits only with a waiver from the FDIC and subject to certain restrictions on the yield paid on such deposits. Undercapitalized institutions are not permitted to accept brokered deposits. Each of the Banks is eligible to accept brokered deposits (as a result of its capital levels) and may use this funding source from time to time when management deems it appropriate from an asset/liability management perspective.

**Enforcement Actions .** Federal and state statutes and regulations provide financial institution regulatory agencies with great flexibility to undertake enforcement action against an institution that fails to comply with regulatory requirements, particularly capital requirements. Possible enforcement actions range from the imposition of a capital plan and capital directive to civil money penalties, cease and desist orders, receivership, conservatorship or the termination of deposit insurance.

**Compliance with Consumer Protection Laws .** The Banks are also subject to many federal consumer protection statutes and regulations including the CRA, the Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act. WestAmerica must also comply with many of these consumer protection statutes and regulations. Among other things, these acts:

- require banks to meet the credit needs of their communities;
- require banks to disclose credit terms in meaningful and consistent ways;
- prohibit discrimination against an applicant in any consumer or business credit transaction;
- prohibit discrimination in housing-related lending activities;
- require banks to collect and report applicant and borrower data regarding loans for home purchases or improvement projects;
- require lenders to provide borrowers with information regarding the nature and cost of real estate settlements;
- prohibit certain lending practices and limit escrow account amounts with respect to real estate transactions; and
- prescribe possible penalties for violations of the requirements of consumer protection statutes and regulations.

***Interstate Banking and Branching Legislation*** . Under the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the “Interstate Banking Act”), bank holding companies are allowed to acquire banks across state lines subject to certain limitations. In addition, under the Interstate Banking Act, banks are permitted, under certain circumstances, to merge with one another across state lines and thereby create a main bank with branches in separate states. After establishing branches in a state through an interstate merger transaction, a bank may establish and acquire additional branches at any location in the state where any bank involved in the interstate merger could have established or acquired branches under applicable federal and state law.

### **Broker-Dealer and Investment Adviser Regulation**

The broker-dealers and investment advisers are subject to extensive regulation under federal and state securities laws. These firms are required to be registered with the Securities and Exchange Commission, although much of their regulation and examination has been delegated to self-regulatory organizations (“SROs”) that the SEC oversees, including the National Association of Securities Dealers and the national securities exchanges. In addition to SEC rules and regulations, the SROs adopt rules, subject to approval of the SEC, that govern all aspects of business in the securities industry and conduct periodic examinations of member firms. These businesses are also subject to regulation by state securities commissions in states where they conduct business.

As a result of federal and state registrations and SRO memberships, the Wayne Hummer Companies are subject to over-lapping schemes of regulation which cover all aspects of their securities businesses. Such regulations cover, among other things, matters including minimum net capital requirements; uses and safekeeping of clients’ funds; recordkeeping and reporting requirements; supervisory and organizational procedures intended to assure compliance with securities laws and to prevent improper trading on material nonpublic information; employee-related matters, including qualification and licensing of supervisory and sales personnel; limitations on extensions of credit in securities transactions; clearance and settlement procedures; “suitability” determinations as to certain customer transactions, limitations on the amounts and types of fees and commissions that may be charged to customers, and the timing of proprietary trading in relation to customers’ trades; affiliate transactions; and mutual fund management. The principal purpose of regulation and discipline of investment firms is the protection of customers and the securities markets rather than the protection of creditors and stockholders of investment firms.

### **Monetary Policy and Economic Conditions**

The earnings of banks and bank holding companies are affected by general economic conditions and also by the credit policies of the Federal Reserve. Through open market transactions, variations in the discount rate and the establishment of reserve requirements, the Federal Reserve exerts considerable influence over the cost and availability of funds obtainable for lending or investing.

The Federal Reserve’s monetary policies have affected the operating results of all commercial banks in the past and are expected to do so in the future. The Banks and their respective holding company cannot fully predict the nature or the extent of any effects which fiscal or monetary policies may have on their business and earnings.

**Supplemental Statistical Data**

The following statistical information and the statistical information on pages 3, 78 and 79 of the 2004 Annual Report to Shareholders are provided in accordance with the requirements of The Exchange Act Industry Guide 3, Statistical Disclosures by Bank Holding Companies, which is part of Regulation S-K as promulgated by the SEC. This data should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, and Management's Discussion and Analysis which are contained in its 2004 Annual Report to Shareholders filed herewith as Exhibit 13.1 and incorporated herein by reference.

**Investment Securities Portfolio**

The following table presents the carrying value of the Company's available-for-sale securities portfolio, by investment category, as of December 31, 2004, 2003 and 2002 (in thousands):

	2004	2003	2002
U.S. Treasury	\$ 140,707	54,930	34,022
U.S. Government agencies	545,887	309,728	140,752
Municipal	25,412	11,364	6,467
Corporate notes and other debt	8,329	35,408	38,952
Mortgage-backed	533,726	393,239	270,962
Federal Reserve/FHLB Stock and other equity securities	89,416	102,212	56,524
<b>Total available-for-sale securities</b>	<b>\$1,343,477</b>	<b>906,881</b>	<b>547,679</b>

Tables presenting the carrying amounts and gross unrealized gains and losses for securities available-for-sale at December 31, 2004 and 2003, are included by reference to Note 3 to the Consolidated Financial Statements included in the 2004 Annual Report to Shareholders, which is incorporated herein by reference. All of the Company's securities, for all periods shown, are classified as available-for-sale. Maturities of available-for-sale securities as of December 31, 2004, by maturity distribution, are as follows (in thousands):

	Within 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Mortgage-backed securities	Federal Reserve / FHLB stock and other equities	Total
U.S. Treasury	\$ 5,080	6,129	129,498	—	—	—	140,707
U.S. Government agencies	121,551	193,450	230,886	—	—	—	545,887
Municipal	7,398	8,880	5,042	4,092	—	—	25,412
Corporate notes and other debt	25	531	—	7,773	—	—	8,329
Mortgage-backed <sup>(1)</sup>	—	—	—	—	533,726	—	533,726
Federal Reserve/FHLB Stock and other equity securities	—	—	—	—	—	89,416	89,416
<b>Total available-for-sale securities</b>	<b>\$134,054</b>	<b>208,990</b>	<b>365,426</b>	<b>11,865</b>	<b>533,726</b>	<b>89,416</b>	<b>1,343,477</b>

<sup>(1)</sup> The maturities of mortgage-backed securities may differ from contractual maturities since the underlying mortgages may be called or prepaid without penalties. Therefore, these securities are not included within the maturity categories above.

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The weighted average yield for each range of maturities of securities, on a tax-equivalent basis, is shown below as of December 31, 2004.

	Within 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	Mortgage- backed securities	Equity securities	Total
U.S. Treasury	1.80%	0.78%	3.98%	—	—	—	3.76%
U.S. Government agencies	1.97%	2.44%	4.38%	—	—	—	3.16%
Municipal	2.45%	3.17%	4.70%	8.12%	—	—	4.06%
Corporate notes and other debt	6.80%	8.15%	—	4.23%	—	—	4.48%
Mortgage-backed <sup>(1)</sup>	—	—	—	—	4.78%	—	4.78%
Federal Reserve/FHLB Stock and other equity securities	—	—	—	—	—	5.03%	5.03%
<b>Total available-for-sale securities</b>	<b>1.99%</b>	<b>2.43%</b>	<b>4.24%</b>	<b>5.56%</b>	<b>4.78%</b>	<b>5.03%</b>	<b>4.01%</b>

<sup>(1)</sup> The maturities of mortgage-backed securities may differ from contractual maturities since the underlying mortgages may be called or prepaid without penalties. Therefore, these securities are not included within the maturity categories above.

## Loan Portfolio

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

	2004		2003		2002		2001		2000	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial and commercial real estate	<b>\$2,465,852</b>	<b>57%</b>	1,648,022	50	1,320,598	52	1,007,580	50	647,947	42
Home equity	<b>574,668</b>	<b>13</b>	466,812	14	365,521	14	261,049	13	179,168	12
Residential real estate	<b>248,118</b>	<b>5</b>	173,625	5	156,213	6	140,041	7	131,495	9
Premium finance receivables	<b>770,792</b>	<b>18</b>	746,895	23	461,614	18	348,163	17	313,066	20
Indirect auto loans	<b>171,926</b>	<b>4</b>	174,071	5	178,234	7	184,209	9	203,571	13
Tricom finance receivables	<b>29,730</b>	<b>1</b>	25,024	1	21,048	1	18,280	1	20,354	1
Consumer and other loans	<b>87,260</b>	<b>2</b>	63,345	2	52,858	2	59,157	3	51,995	3
<b>Total loans, net of unearned income</b>	<b>\$4,348,346</b>	<b>100%</b>	3,297,794	100	2,556,086	100	2,018,479	100	1,547,596	100

*Commercial and commercial real estate loans* . The commercial loan component is comprised primarily of commercial real estate loans, lines of credit for working capital purposes, and term loans for the acquisition of equipment. This category also includes certain commercial equipment leases. Commercial real estate is predominantly owner occupied and secured by a first mortgage lien and assignment of rents on the property. Equipment loans and leases are generally fully amortized over 24 to 60 months and secured by titles and/or U.C.C. filings. Working capital lines are generally renewable annually and supported by business assets, personal guarantees and, oftentimes, additional collateral. Also included in this category are loans to condominium and homeowner associations originated through Barrington Bank's Community Advantage program

and small aircraft financing, an earning asset niche developed at Crystal Lake Bank. Commercial business lending is generally considered to involve a higher degree of risk than traditional consumer bank lending. The vast majority of commercial loans are made within the Banks' immediate market areas. The increase in this loan category can be attributed to additional banking facilities, an emphasis on business development calling programs, recruitment of additional experienced lending officers and superior servicing of existing commercial loan customers which has increased referrals.

In addition to the home mortgages originated by the Banks, the Company participates in mortgage warehouse lending by providing interim funding to unaffiliated mortgage brokers to finance residential mortgages originated by such brokers for sale into the secondary market. The Company's loans to the mortgage brokers are secured by the business assets of the mortgage companies as well as the underlying mortgages, the majority of which are funded by the Company on a loan-by-loan basis after they have been pre-approved for purchase by third party end lenders who forward payment directly to the Company upon their acceptance of final loan documentation. In addition, the Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage brokers desire to competitively bid a number of mortgages for sale as a package in the secondary market. Typically, the Company will serve as sole funding source for its mortgage warehouse lending customers under short-term revolving credit agreements. Amounts advanced with respect to any particular mortgage loan are usually required to be repaid within 21 days. The Company has developed strong relationships with a number of mortgage brokers and is seeking to expand its customer base in this specialty business.

*Home equity loans* . The Company's home equity loan products are generally structured as lines of credit secured by first or second position mortgage liens on the underlying property with loan-to-value ratios not exceeding 85%, including prior liens, if any. The Banks' home equity loans feature competitive rate structures and fee arrangements. In addition, the Banks periodically offer promotional home equity loan products as part of their marketing strategy often featuring lower introductory rates.

*Residential real estate mortgages* . The residential real estate category predominantly includes one-to-four family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals and bridge financing loans for qualifying customers. The adjustable rate mortgages are often non-agency conforming, may have terms based on differing indexes, and relate to properties located principally in the Chicago and southern Wisconsin metropolitan areas or vacation homes owned by local residents. Adjustable-rate mortgage loans decrease, but do not eliminate, the risks associated with changes in interest rates. Because periodic and lifetime caps limit the interest rate adjustments, the value of adjustable-rate mortgage loans fluctuates inversely with changes in interest rates. In addition, as interest rates increase, the required payments by the borrower increases, thus increasing the potential for default. The Company does not generally originate loans for its own portfolio with long-term fixed rates due to interest rate risk considerations. Through its WestAmerica subsidiary, the Company can accommodate customer requests for fixed rate loans by originating and selling these loans into the secondary market, in connection with which the Company receives fee income, or by selectively including certain of these loans within the Banks' own portfolios. A portion of the loans sold by the Company into the secondary market were sold to the Federal National Mortgage Association ("FNMA") with the servicing of those loans retained. The amount of loans serviced for FNMA as of December 31, 2004 and 2003 was \$297 million and \$285 million, respectively. All other mortgage loans sold into the secondary market were sold without the retention of servicing rights.

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*Premium finance receivables* . The Company originates premium finance receivables through FIFC. Most of the receivables originated by FIFC are sold to the Banks and retained within their loan portfolios. However, due to FIFC's loan origination volume exceeding the capacity within the Banks' loan portfolios, FIFC began selling loans to an unrelated third party in 1999. During 2004, FIFC originated approximately \$2.6 billion of loans and sold approximately \$496 million of those loans originated in 2004 to an unrelated financial institution. FIFC recognized gains of \$7.3 million related to this activity. As of December 31, 2004 and 2003, the balance of these receivables that FIFC services for others totaled approximately \$251 million and \$113 million, respectively. All premium finance receivables are subject to the Company's stringent credit standards, and substantially all such loans are made to commercial customers. The Company rarely finances consumer insurance premiums.

FIFC generally offers financing of approximately 80% of an insurance premium primarily to commercial purchasers of property and casualty and liability insurance who desire to pay insurance premiums on an installment basis. FIFC markets its financial services primarily by establishing and maintaining relationships with medium and large insurance agents and brokers and by offering a high degree of service and innovative products. Senior management is significantly involved in FIFC's marketing efforts, currently focused almost exclusively on commercial accounts. Loans are originated by FIFC's own sales force working with insurance agents and brokers throughout the United States. As of December 31, 2004, FIFC had the necessary licensing or other regulatory approvals to do business in all 50 states and the District of Columbia.

In financing insurance premiums, the Company does not assume the risk of loss normally borne by insurance carriers. Typically, the insured buys an insurance policy from an independent insurance agent or broker who offers financing through FIFC. The insured typically makes a down payment of approximately 15% to 25% of the total premium and signs a premium finance agreement for the balance due, which amount FIFC disburses directly to the insurance carrier or its agents to satisfy the unpaid premium amount. The initial average balance of premium finance loans originated during 2004 ranged from approximately \$24,000 to \$42,000 and the average term of the agreements was approximately 10 months. As the insurer earns the premium ratably over the life of the policy, the unearned portion of the premium secures payment of the balance due to FIFC by the insured. Under the terms of the Company's standard form of financing contract, the Company has the power to cancel the insurance policy if there is a default in the payment on the finance contract and to collect the unearned portion of the premium from the insurance carrier. In the event of cancellation of a policy, the cash returned in payment of the unearned premium by the insurer should be sufficient to cover the loan balance and generally the interest and other charges due as well. The major risks inherent in this type of lending are (1) the risk of fraud on the part of an insurance agent whereby the agent fraudulently fails to forward funds to the insurance carrier or to FIFC, as the case may be; (2) the risk that the insurance carrier becomes insolvent and is unable to return unearned premiums related to loans in default; (3) for policies that are subject to an audit by the insurance carrier (i.e. workers compensation policies where the insurance carrier can audit the insured actual payroll records), the risk that the initial underwriting of the policy was such that the premium paid by the insured is not sufficient to cover the entire return premium in the event of default; and (4) that the borrower is unable to ultimately satisfy the debt in the event the returned unearned premium is insufficient to retire the loan. FIFC has established underwriting procedures to reduce the potential of loss associated with the aforementioned risks and has systems in place to continually monitor conditions that would indicate an increase in risk factors and to act on situations where the Company's collateral position is in jeopardy.

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*Indirect auto loans* . As part of its strategy to pursue specialized earning asset niches to augment loan generation within the Banks' target markets, the Company finances fixed rate automobile loans funded indirectly through unaffiliated automobile dealers. In response to economic conditions and the competitive environment for this product, the Company has been de-emphasizing the level of new indirect auto loans originated. However, the Company continues to maintain its relationships with the dealers and may increase its volume of originations when market conditions indicate it is prudent to do so. Indirect automobile loans are secured by new and used automobiles and are generated by a large network of automobile dealers located in the Chicago area with which the Company has established relationships. These credits generally have an average initial balance of approximately \$18,800 and have an original maturity of 36 to 60 months with the average actual maturity, as a result of prepayments, estimated to be approximately 35-40 months. The Company does not currently originate any significant level of sub-prime loans, which are made to individuals with impaired credit histories at generally higher interest rates, and accordingly, with higher levels of credit risk. The risk associated with this portfolio is diversified among many individual borrowers. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans. Like other consumer loans, the indirect auto loans are subject to the Banks' stringent credit standards.

*Tricom finance receivables*. Tricom finance receivables represent high-yielding short-term accounts receivable financing to clients in the temporary staffing industry located throughout the United States. The clients' working capital needs arise primarily from the timing differences between weekly payroll funding and monthly collections from customers. The primary security for Tricom's finance receivables are the accounts receivable of its clients and personal guarantees. Tricom generally advances 80-95% based on various factors including the client's financial condition, the length of client relationship and the nature of the client's customer business lines. Typically, Tricom will also provide value-added out-sourced administrative services to many of these clients, such as data processing of payrolls, billing and cash management services, which generates additional fee income.

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

The Company had no loans to businesses or governments of foreign countries at any time during 2004.

### Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table classifies the commercial loan portfolios at December 31, 2004 by date at which the loans mature (in thousands):

	One year or less	From one to five years	After five years	Total
Commercial and commercial real estate loans	\$1,085,888	1,229,468	150,496	2,465,852
Premium finance receivables, net of unearned income	770,792	—	—	770,792
Tricom finance receivables	29,730	—	—	29,730

Of those loans maturing after one year, approximately \$353.3 million have fixed rates.

### Risk Elements in the Loan Portfolio

The following table sets forth the allocation of the allowance for loan losses by major loan type and the percentage of loans in each category to total loans (dollars in thousands):

	2004		2003		2002		2001		2000	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial and commercial										
Real Estate	\$20,016	57%	7,421	50	6,837	52	6,251	50	4,019	42
Home equity	1,404	13	467	14	563	14	1,353	13	992	12
Residential real estate	993	5	417	5	200	6	137	7	141	9
Consumer and other	1,585	2	418	2	358	2	835	3	473	3
Premium finance receivables	7,708	18	5,495	23	3,613	18	1,391	17	1,209	20
Indirect auto loans	2,149	4	915	5	941	7	1,442	9	1,552	13
Tricom finance receivables	372	1	143	1	120	1	112	1	120	1
Unallocated	—	—	10,265	—	5,758	—	2,165	—	1,927	—
Totals	\$34,227	100%	25,541	100	18,390	100	13,686	100	10,433	100

Management has determined that the allowance for loan losses was adequate at December 31, 2004. The Company's loan rating process is an integral component of the methodology utilized in determining the adequacy of the allowance for loan losses. 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") 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 Risk Management Committee, 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 Watch List 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.

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

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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 lack of seasoning in 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. This change, coupled with the allowance for loan losses associated with the 2004 acquisitions, accounts for the increase in the amount of allowance for loan losses to each loan portfolio grouping in 2004 compared to the prior years. 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.

An analysis of commercial and commercial real estate loans actual loss experience is conducted to assess reserves established for credits with similar risk characteristics. An allowance is established for loans on the Watch List and for pools of loans based on the loan types and the risk ratings assigned. The Company separately measures the fair value of impaired commercial and commercial real estate loans using either the present value of expected future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the collateral if the loan is collateral dependent. All loans subject to impairment evaluation are included in nonperforming assets. Commercial and commercial real estate loans continue to represent a larger percentage of the Company's total loans outstanding. The credit risk of commercial and commercial real estate loans is largely influenced by the impact on borrowers of general economic conditions, which can be challenging and uncertain. Historically low net charge-offs of commercial and commercial real-estate loans may not be indicative of future charge-off levels. The home equity, residential real estate, consumer and other loan allocations are based on analysis of historical delinquency and charge-off statistics and trends and current the current economic environment. Allocations for niche loans such as premium finance receivables, indirect auto and Tricom finance receivables are based on an analysis of historical delinquency and charge-off statistics, historical growth trends and historical economic trends. The increase in the unallocated allowance in 2003 compared to 2002 is due to the uncertainty surrounding the near term economic conditions at the time and the sustained effects of a weak economy over the prior two years.

For analysis and review of the loan loss provision and allowance for loan losses, non-accrual, past due and restructured loans, other real estate owned, potential problem loans, and loan concentrations, reference is made to the "Credit Risk and Asset Quality" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations of the 2004 Annual Report to Shareholders filed herewith as Exhibit 13.1, and incorporated herein by reference.

**Deposits**

The following table sets forth the scheduled maturities of time deposits in denominations of \$100,000 or more at December 31, 2004 (in thousands):

Maturing within 3 months	\$ 290,548
After 3 but within 6 months	212,639
After 6 but within 12 months	312,970
After 12 months	647,804
<b>Total</b>	<b>\$1,463,961</b>

**Return on Equity and Assets**

The following table presents certain ratios relating to the Company's equity and assets as of and for the years ended December 31:

	2004	2003	2002
Return on average total assets	<b>0.94%</b>	0.93%	0.87%
Return on average shareholders' equity	<b>13.12%</b>	14.36%	14.76%
Dividend payout ratio	<b>8.5%</b>	8.1%	7.5%
Average equity to average total assets	<b>7.2%</b>	6.4%	5.9%
Ending total risk based capital ratio	<b>12.2%</b>	12.1%	9.4%
Leverage ratio	<b>8.4%</b>	8.9%	7.0%

### **Short-Term Borrowings**

The Company's short-term borrowings primarily include federal funds purchased, overnight and term security repurchase agreements and to a limited extent, borrowings by WHI (sometimes referred to as "Wayne Hummer Company funding"), which consist of demand obligations to third party banks and brokers for the financing of securities purchased by WHI customers on margin and securities owned by WHI. The average balances in each of these categories during 2004 were \$31.6 million of federal funds purchased, \$83.3 million of repurchase agreements and \$10.0 million of Wayne Hummer Company funding. During 2004, the Company participated in overnight and term security repurchase agreements. The overnight agreements represent sweep accounts in connection with a master repurchase agreement. In connection with the overnight agreements, securities remain under the Company's control and are pledged for the available balance of the customers' accounts. For term repurchase agreements, securities are transferred to the applicable counterparty. Securities underlying the overnight and term repurchase agreements are included in the available-for-sale securities portfolio as reflected on the Consolidated Statements of Condition. At December 31, 2004, securities sold under agreements to repurchase consisted of U.S. government agency, mortgage-backed and corporate securities.

Further information regarding Short-Term Borrowings is contained in the "Analysis of Financial Condition – Deposits and Other Funding Sources" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2004 Annual Report to Shareholders filed herewith as Exhibit 13.1, and is incorporated herein by reference.

## **ITEM 2. PROPERTIES**

The Company's executive offices are located in the banking facilities of Lake Forest Bank. Certain corporate functions are also located at the various Bank subsidiaries.

The Company's Banks operate through 56 banking facilities of which 49 are owned and the remaining seven are leased and not subject to any material liens. The Company owns 75 Automatic Teller Machines (ATMs), the majority of which are housed at banking locations. The banking facilities are located in communities throughout the Chicago metropolitan area and Southern Wisconsin. The Banks also own two locations that are used as operations centers. Excess space in certain properties is leased to third parties.

Wayne Hummer Investments, LLC has two locations, one in downtown Chicago and one in Appleton, Wisconsin, both of which are leased, and WestAmerica Mortgage has 24 locations in ten states, all of which are leased. First Insurance Funding Corp, Tricom, Inc. and Wintrust Information Technology Services, each has one location which they do own. In addition, the Company owns other real estate acquired for further expansion that, when considered in the aggregate, is not material to the Company's financial position.

See Note 9 to the Consolidated Financial Statements contained in the 2004 Annual Report to Shareholders filed herewith as Exhibit 13.1 and incorporated herein by reference.

## **ITEM 3. LEGAL PROCEEDINGS**

The Company and its subsidiaries, from time to time, are subject to pending and threatened legal action and proceedings arising in the ordinary course of business. Any such litigation currently pending against the Company or its subsidiaries is incidental to the Company's business and, based on information currently available to management, management believes the outcome of such actions or proceedings will not have a material adverse effect on the operations or financial position of the Company.

## **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of security holders during the fourth quarter of 2004.

## PART II.

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

The Company's common stock is traded on The Nasdaq Stock Market® under the symbol WTFC. The following table sets forth the high and low sales prices reported on Nasdaq for the common stock during 2004 and 2003.

	2004		2003	
	High	Low	High	Low
Fourth quarter	\$ 63.39	\$ 54.33	\$ 46.85	\$ 37.64
Third quarter	58.42	49.82	38.89	29.30
Second quarter	50.80	45.18	32.40	27.74
First quarter	50.44	41.85	33.65	27.19

**Approximate Number of Equity Security Holders**

As of March 7, 2005 there were approximately 1,599 shareholders of record of the Company's common stock.

**Dividends on Common Stock**

In January 2000, the Company's Board of Directors approved the first semi-annual cash dividend on its common stock and has continued to approve a semi-annual dividend since that time. Additionally, in January 2002, the Company's Board of Directors approved a 3-for-2 stock split, effected in the form of a 50% common stock dividend, paid on March 14, 2002 to shareholders of record on March 4, 2002.

Following is a summary of the cash dividends approved in 2003 and 2004.

Record Date	Payable Date	Dividend per Share
February 6, 2003	February 20, 2003	\$0.08
August 5, 2003	August 19, 2003	\$0.08
February 5, 2004	February 19, 2004	\$0.10
August 10, 2004	August 24, 2004	\$0.10

In January 2005, the Company's Board of Directors approved a 20% increase in its semi-annual dividend to \$0.12 per share. The dividend was paid on February 22, 2005 to shareholders of record as of February 8, 2005.

The final determination of timing, amount and payment of dividends is at the discretion of the Company's Board of Directors and will depend upon the Company's earnings, financial condition, capital requirements and other relevant factors. Additionally, the payment of dividends is also subject to statutory restrictions and restrictions arising under the terms of the Company's Trust Preferred Securities offerings and under certain financial covenants in the Company's revolving line of credit.

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Because the Company's consolidated net income consists largely of net income of the Banks, WestAmerica, FIFC, Tricom, WHTC and the Wayne Hummer Companies, the Company's ability to pay dividends depends upon its receipt of dividends from these entities. The Banks' ability to pay dividends is regulated by banking statutes. See "Financial Institution Regulation Generally - Dividends" on page 14 of this Form 10-K. During 2004 and 2003, the Banks paid \$25.5 million and \$5.5 million, respectively, in dividends to the Company. In 2002 the Banks paid no dividends to the Company. *De novo* banks are prohibited from paying dividends during their first three years of operations. As of January 1, 2005, Beverly Bank, which began operations in April 2004, was subject to this additional dividend restriction. Its *de novo* period will end in April 2007.

Reference is made to Note 19 to the Consolidated Financial Statements contained in the 2004 Annual Report to Shareholders, attached hereto as Exhibit 13.1, which is incorporated herein by reference, for a description of the restrictions on the ability of certain subsidiaries to transfer funds to the Company in the form of dividends.

### **Recent Sales of Unregistered Securities**

In December 2004, the Company issued \$50 million of floating rate trust preferred securities through Wintrust Capital Trust VII (the "Trust"), a wholly-owned, statutory business trust subsidiary, in a private placement to certain qualified institutional investors. In addition, the Trust issued \$1.55 million of Common Securities to the Company. Distributions on the preferred securities will be paid quarterly at a floating rate based on three-month LIBOR plus 1.95%, except for the first distribution period ending on March 15, 2005, which will be at a rate equal to LIBOR of 2.47% plus 1.95%. Simultaneously with the issuance of the trust preferred securities and the Common Securities, the Company issued \$51.55 million of subordinated debentures to the Trust. The debentures mature on March 15, 2035, and may be redeemed on or after March 15, 2010, if certain conditions are met. The issuance of the preferred securities and the subordinated debentures was exempt from registration under the Securities Act pursuant to Section 4(2) thereunder.

### **Issuer Purchases of Equity Securities**

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 fourth quarter of 2004. As of December 31, 2004, 85,950 shares may yet be repurchased under the Program.

**ITEM 6. SELECTED FINANCIAL DATA**

Certain information required in response to this item is contained in the 2004 Annual Report to Shareholders under the caption “Selected Financial Highlights” and is incorporated herein by reference.

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

The information required in response to this item is contained in the 2004 Annual Report to Shareholders under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, which is incorporated herein by reference. This discussion and analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and notes thereto contained in the 2004 Annual Report to Shareholders.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Certain information required in response to this item is contained in the 2004 Annual Report to Shareholders under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Asset-Liability Management,” which is incorporated herein by reference. That information should be read in conjunction with the complete Consolidated Financial Statements and notes thereto also included in the 2004 Annual Report to Shareholders.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required in response to this item is contained in the 2004 Annual Report to Shareholders under the caption “Consolidated Financial Statements,” and is incorporated herein by reference. Also, refer to Item 15 of this Report for the Index to Financial Statements.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

The Company made no changes in or had any disagreements with its independent accountants during the two most recent fiscal years or any subsequent interim period.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

As of the end of the period covered by this report, management of the Company, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based upon, and as of the date of that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective, in ensuring material information relating to the Company (and its consolidated subsidiaries) required to be included in this Annual Report on Form 10-K was recorded, processed, summarized and reported on a timely manner.

### **Internal Control Over Financial Reporting**

Management's responsibilities relating to establishing and maintaining effective disclosure controls and procedures include establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in accordance with accounting principles generally accepted in the United States. As disclosed in the Report on Management's Assessment of Internal Control Over Financial Reporting, on page 32 of the Company's Annual Report, which is included as Exhibit 13.1, management assessed the Company's system of internal control over financial reporting as of December 31, 2004, in relation to criteria for the effective internal control over financial reporting as described in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of December 31, 2004, the Company's system of internal control over financial reporting met those criteria and is effective.

Management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004, has been audited by Ernst & Young, LLP, an independent registered public accounting firm, as stated in their report which appears on page 33 of the Company's Annual Report which is included herein as Exhibit 13.1.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required in response to this item will be contained in the Company's Proxy Statement for its Annual Meeting of Shareholders to be held May 26, 2005 under the captions "Nominees to Serve as Class III Directors Until the Annual Meeting of Shareholders in Year 2008", "Class I – Continuing Directors Serving Until the Year 2006", "Class II – Continuing Directors Serving Until the Year 2007", "Executive Officers of the Company" and "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

The Company has adopted a Corporate Code of Ethics which complies with the rules of the SEC and the listing standards of the Nasdaq National Market. The code applies to all of the Company's directors, officers and employees and is attached hereto as Exhibit 14.1 and posted on the Company's website ([www.wintrust.com](http://www.wintrust.com)). The Company will post on its website any amendments to, or waivers from, its Corporate Code of Ethics as the code applies to its directors or executive officers.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required in response to this item will be contained in the Company's Proxy Statement under the caption "Executive Compensation" and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

Information with respect to security ownership of certain beneficial owners and management is incorporated by reference to the section “Security Ownership of Certain Beneficial Owners and Management” that will be included in the Company’s Proxy Statement.

The following table summarizes information as of December 31, 2004, relating to equity compensation plans of the Company pursuant to which common stock is authorized for issuance:

**Equity Compensation Plan Information**

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<b>Equity compensation plans approved by security holders:</b>			
• WTFC 1997 Stock Incentive Plan, as amended	2,857,089	\$ 23.04	1,012,578
• WTFC Employee Stock Purchase Plan	N/A	N/A	238,278
• WTFC Directors Deferred Fee and Stock Plan	N/A	N/A	208,617
	2,857,089	\$ 23.04	1,459,473
<b>Equity compensation plans not approved by security holders <sup>(1)</sup></b>			
• N/A	—	—	—
<b>Total <sup>(1)</sup></b>	2,857,089	\$ 23.04	1,459,473

<sup>(1)</sup> Excludes 215,701 shares of the Company’s common stock issuable pursuant to the exercise of options previously granted under the plans of Advantage National Bancorp, Inc., Village Bancorp, Inc., Northview Financial Corporation and Town Bankshares, Ltd. The weighted average exercise price of those options is \$25.43. No additional awards will be made under these plans .

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required in response to this item will be contained in the Company’s Proxy Statement under the sub-caption “Transactions with Management and Others” and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required in response to this item will be contained in the Company’s Proxy Statement under the caption “Independent Auditor and Fees Paid” and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this Report:

1., 2. Financial Statements and Schedules

The following financial statements of Wintrust Financial Corporation, incorporated herein by reference to the 2004 Annual Report to Shareholders filed as Exhibit 13.1, are filed as part of this document pursuant to Item 8, Financial Statements and Supplementary Data:

Consolidated Statements of Condition as of December 31, 2004 and 2003  
Consolidated Statements of Income for the Years Ended December 31, 2004, 2003 and 2002  
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2004, 2003 and 2002  
Consolidated Statements of Cash Flows for the Years Ended December 31, 2004, 2003 and 2002  
Notes to Consolidated Financial Statements  
Report of Independent Registered Public Accounting Firm

No schedules are required to be filed with this report.

3. Exhibits (Exhibits marked with a "\*" denote management contracts or compensatory plans or arrangements)
- 3.1 Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).
- 3.2 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).
- 3.3 Amended and Restated By-laws of Wintrust Financial Corporation (incorporated by reference to Exhibit 3-3 of the Company's Form 10-Q for the quarter ended March 31, 2003)
- 4.1 Rights Agreement between Wintrust Financial Corporation and Illinois Stock Transfer Company, as Rights Agent, dated July 28, 1998 (incorporated by reference to Exhibit 4.1 of the Company's Form 8-A Registration Statement (No. 000-21923) filed with the Securities and Exchange Commission on August 28, 1998).
- 4.2 Certain instruments defining the rights of the holders of long-term debt of the Corporation and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis, have not been filed as Exhibits. The Corporation hereby agrees to furnish a copy of any of these agreements to the Commission upon request.

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- 10.6 Amended and Restated Loan Agreement (\$75 million) between Wintrust Financial Corporation and LaSalle Bank National Association, dated October 29, 2002 (incorporated by reference to Exhibit 10.9 of the Company's Form 10-K for the year ending December 31, 2002).
- 10.7 Second Amended and Restated Loan Agreement between Wintrust Financial Corporation and LaSalle Bank, National Association, dated April 30, 2003 (incorporated by reference to Exhibit 10.7 of the Company's Form 10-K for the year ending December 31, 2003).
- 10.8 First Amendment to Second Amended and Restated Loan Agreement between Wintrust Financial Corporation and LaSalle Bank National Association dated April 30, 2004.
- 10.9 \$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank National Association, dated October 29, 2002 (incorporated by reference to Exhibit 10.9 of the Company's Form 10-K for the year ending December 31, 2002).
- 10.10 \$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank National Association, dated April 30, 2003 (incorporated by reference to Exhibit 99.3 of form S-8 file July 1, 2004)\*.
- 10.21 Form of Wintrust Financial Corporation Warrant Agreement (incorporated by reference to Exhibit 10.29 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645), filed with the Securities and Exchange Commission on July 22, 1996). \*
- 10.22 Form of Employment Agreement entered into between the Company and Edward J. Wehmer, President and Chief Executive Officer. The Company entered into Employment Agreements with David A. Dykstra, Senior Executive Vice President and Chief Operating Officer and Richard B. Murphy, Executive Vice President and Chief Credit Officer during 2005 in substantially identical form to this exhibit. \*
- 10.23 Form of Employment Agreement entered into between the Company and David L. Stoehr, Executive Vice President and Chief Financial Officer. The Company entered into an Employment Agreement with Robert F. Key, Executive Vice President/Marketing, during 2005 in substantially identical form to this exhibit. \*
- 10.26 Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Appendix A of the Proxy Statement relating to the May 22, 1997 Annual Meeting of Shareholders of the Company). \*
- 10.27 First Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2000). \*
- 10.28 Second Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan adopted by the Board of Directors on January 24, 2002 (incorporated by reference to Exhibit 99.3 of form S-8 filed July 1, 2004).\*

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- 10.29 Third Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan adopted by the Board of Directors on May 27, 2004 (incorporated by reference to Exhibit 99.4 of Form S-8 filed July 1, 2004.)\*
- 10.30 Form of Nonqualified Stock Option Agreement.\*
- 10.31 Form of Restricted Stock Award.\*
- 10.32 Wintrust Financial Corporation Employee Stock Purchase Plan (incorporated by reference to Appendix B of the Proxy Statement relating to the May 22, 1997 Annual Meeting of Shareholders of the Company). \*
- 10.33 Wintrust Financial Corporation Directors Deferred Fee and Stock Plan (incorporated by reference to Appendix B of the Proxy Statement relating to the May 24, 2001 Annual Meeting of Shareholders of the Company). \*
- 12.1 Computation of Ratio of Earnings to Fixed Charges.
- 13.1 2004 Annual Report to Shareholders.
- 14.1 Code of Ethics
- 21.1 Subsidiaries of the Registrant.
- 23.1 Consent of Independent Auditors.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**WINTRUST FINANCIAL CORPORATION**  
(Registrant)

<b>Edward J. Wehmer</b>	<u>/s/ EDWARD J. WEHMER</u> President and Chief Executive Officer	March 15, 2005
<b>David L. Stoehr</b>	<u>/s/ DAVID L. STOEHR</u> Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>John S. Lillard</b>	<u>/s/ JOHN S. LILLARD</u> Chairman of the Board of Directors	March 15, 2005
<b>Edward J. Wehmer</b>	<u>/s/ EDWARD J. WEHMER</u> President and CEO and Director	March 15, 2005
<b>Peter D. Crist</b>	<u>/s/ PETER D. CRIST</u> Director	March 15, 2005
<b>Bruce K. Crowther</b>	<u>/s/ BRUCE K. CROWTHER</u> Director	March 15, 2005
<b>Joseph F. Damico</b>	<u>/s/ JOSEPH F. DAMICO</u> Director	March 15, 2005
<b>Bert A. Getz, Jr.</b>	<u>/s/ BERT A. GETZ, JR.</u> Director	March 15, 2005
<b>Paul J. Liska</b>	<u>/s/ PAUL J. LISKA</u> Director	March 15, 2005
<b>James B. McCarthy</b>	<u>/s/ JAMES B. MCCARTHY</u> Director	March 15, 2005

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<b>Albin F. Moschner</b>	<u>/s/ ALBIN F. MOSCHNER</u> Director	March 15, 2005
<b>Thomas J. Neis</b>	<u>/s/ THOMAS J. NEIS</u> Director	March 15, 2005
<b>Hollis W. Rademacher</b>	<u>/s/ HOLLIS W. RADEMACHER</u> Director	March 15, 2005
<b>J. Christopher Reyes</b>	<u>/s/ J. CHRISTOPHER REYES</u> Director	March 15, 2005
<b>John J. Schornack</b>	<u>/s/ JOHN J. SCHORNACK</u> Director	March 15, 2005
<b>Ingrid S. Stafford</b>	<u>/s/ INGRID S. STAFFORD</u> Director	March 15, 2005



**FIRST AMENDMENT TO SECOND AMENDED  
AND RESTATED LOAN AGREEMENT**

THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AGREEMENT dated as of April 30, 2004 (this "Amendment"), is between WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Borrower"), and BANK NATIONAL ASSOCIATION, a national banking association (the "Bank").

**RECITALS**

**A.** The Borrower and the Bank entered into that certain Second Amended and Restated Loan Agreement dated as of April 30, 2003 (the "Agreement"); and

**B.** The Borrower desires to extend the maturity date of Note 3 to May 1, 2005.

**NOW, THEREFORE**, in consideration of the premises and other good and valuable consideration, the receipt and adequacy of which me hereby acknowledged, the parties hereto agree as follows:

**1. DEFINITIONS.** All capitalized terms used herein without definition shall have the respective meanings set forth in the Agreement.

**2. AMENDMENTS TO THE AGREEMENT.**

**2.1 Amendment to Section 3(d) of the Agreement.** Section 3(d) of the Agreement is hereby amended as of the date hereof by deleting the date "May 1, 2004" and inserting the date "May 1, 2005".

**2.5 Note 3.** All references in the Loan Agreement to the Revolving Note in the form of Exhibit "C" to the Loan Agreement shall be deemed to be references to the Note 3 in the form of Exhibit "A-1" attached hereto and made a part hereof.

**3. WARRANTIES.** To induce the Bank to enter into this Amendment, the Borrower warrants that:

**3.1 Authorization.** The Borrower is duly authorized to execute and deliver this Amendment and is and will continue to be duly authorized to borrow monies under the Agreement, as amended hereby, and to perform its obligations under the Agreement, as amended hereby.

**3.2 No. Conflicts.** The execution and delivery of this Amendment and the performance by the Borrower of its obligations under the Agreement as amended hereby, do not and will not conflict with any provision of law or of the charter or by-laws of the Borrower or of any agreement binding upon the Borrower.

**3.3 Validity and Binding Effect.** The Agreement, as amended hereby, is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in

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accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principles of equity limiting the availability of equitable remedies.

**3.4 No Default.** As of the date hereof, no Event of Default under Section 9 of the Agreement, as amended by this Amendment or event or condition which, with the giving of notice or the passage of time, shall constitute an Event of Default, has occurred or is continuing.

**3.5 Warranties.** As of the date hereof, the representations and warranties in Section 5 of the Agreement are true and correct as though made on such date, except for such Changes as are specifically permitted under the Agreement,

**4. CONDITIONS PRECEDENT.** This Amendment shall become effective as of the date above first written after receipt by the Bank of the following documents:

- (a) This Amendment duly executed by the Borrower;
- (b) A \$25,000,000 Revolving Note in the form attached hereto as Exhibit A-1 duly executed by the Borrower; and
- (c) Such other documents and instruments as the Bank reasonably requests.

**5. GENERAL.**

**5.1 Law.** This Amendment shall be construed in accordance with and governed by the laws of the State of Illinois.

**5.2 Successors.** This Amendment shall be binding upon the Borrower and the Bank and Their respective successors and assigns, and shall inure to the benefit of the Borrower and the Bank and their respective successors and assigns.

**5.3 Confirmation of the Agreement.** Except as amended hereby, the Agreement shall remain in full force and effect and is hereby ratified and confirmed in all respects.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first above written.

LASALLE BANK NATIONAL  
ASSOCIATION

WINTRUST FINANCIAL  
CORPORATION

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

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**EXHIBIT A-1**

REVOLVING NOTE

\$25,000,000

Dated as of April 30, 2004

FOR VALUE RECEIVED, WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Maker") promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION, a national banking association (the "Bank") the lesser of the principal sum of TWENTY FIVE MILLION DOLLARS (\$25,000,000), or the aggregate unpaid principal amount outstanding under the Loan Agreement dated even date herewith (as amended from time to time, the "Loan Agreement") between the Bank and the Maker at the maturity or maturities and in the amount or amounts as stated on the records of the Bank together with interest (computed on actual days elapsed on the basis of a 360 day year) on any and all principal amounts outstanding hereunder from time to time from the date hereof until maturity. Interest shall be payable at the rates of interest and the times set forth in the Loan Agreement. All unpaid principal, and accrued interest, if not paid sooner, shall be due and payable in full on May 1, 2005.

This Note shall be available for direct advances.

Principal and interest shall be paid to the Bank at its office at 135 South LaSalle Street, Chicago, Illinois 60603, or at such other place as the holder of this Note may designate in writing to the Maker. This Note may be prepaid in whole or in part as provided for in the Loan Agreement.

This Note evidences indebtedness incurred under the Second Amended and Restated Loan Agreement dated as of April 30, 2003, as amended from time to time, between the Maker and the Bank, to which reference is hereby made for a statement of the terms and conditions under which the due date of the Note or any payment thereon may be accelerated. The holder of this Note is entitled to all of the benefits provided for in the Loan Agreement.

The Maker agrees that in action or proceeding instituted to collect or enforce collection of this Note, the amount on the Bank's records shall be conclusive and binding evidence, absent demonstrable error, of the unpaid principal balance of this Note.

This Note is in replacement and substitution of, but not repayment for, a Revolving Note of the Borrower dated April 30, 2003 in the principal amount of \$25,000,000 and is in no way intended to constitute a novation therefor.

WINTRUST FINANCIAL CORPORATION

By: \_\_\_\_\_

Its: \_\_\_\_\_



## EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made by and between WINTRUST FINANCIAL CORPORATION ("Wintrust"), a bank holding company, and \_\_\_\_\_, an individual resident in the State of \_\_\_\_\_ ("Executive") as of \_\_\_\_\_, 200 \_\_\_\_\_.

### WITNESSETH THAT:

WHEREAS, Wintrust is a bank holding company;

WHEREAS, Executive has particular expertise and knowledge concerning the business of Wintrust and its operations and is a valued member of Wintrust's senior management;

WHEREAS, by virtue of Executive's employment with Wintrust, Executive will become acquainted with certain confidential information regarding the services, customers, methods of doing business, strategic plans, marketing, and other aspects of the business of Wintrust or its Affiliates; and

WHEREAS, Wintrust and Executive desire to set forth in this Agreement the terms, conditions and obligations of the parties with respect to such employment effective as of the date first written above (the "Effective Date") and this Agreement is intended by the parties to supersede all previous agreements and understanding, whether written or oral, concerning such employment.

NOW THEREFORE, in consideration of the covenants and agreements contained herein, of Executive's employment, of the compensation to be paid by Wintrust for Executive's services, and of Wintrust's other undertakings in this Agreement, the parties hereto do hereby agree as follows:

1. Scope of Employment. Executive will be employed as \_\_\_\_\_ of Wintrust and shall perform such duties as may be assigned to Executive by the Chief Executive Officer and/or the Chief Operating Officer and/or the Board of Directors of Wintrust in such position. Executive agrees that during Executive's employment Executive will be subject to and abide by the written policies and practices of Wintrust. Executive also agrees to assume such new or additional positions and responsibilities as Executive may from time to time be assigned for or on behalf of Wintrust or any Affiliate of Wintrust. Notwithstanding the foregoing, during the Term (as defined in Section 8 herein) of this Agreement, Executive will not be required without Executive's consent to move Executive's principal business location to another location more than a 35 mile radius from Executive's principal business location. For purposes of this Agreement, the term "Affiliate" shall include but not be limited to the entities listed in Exhibit A to this Agreement and any subsidiary of any of such entities and shall further include any present or future affiliate of any of them as defined by the rules and regulations of the Federal Reserve Board. In the event Executive shall

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perform services for any Affiliate in addition to serving as \_\_\_\_\_ of Wintrust, the provisions of this Agreement shall also apply to the performance of such services by Executive on behalf of the Affiliate.

2. Compensation and Benefits. Executive will be paid such base salary as may from time to time be agreed upon between Executive and Wintrust. Executive will be entitled to coverage under such compensation plans, insurance plans and other fringe benefit plans and programs as may from time to time be established for employees of Wintrust in accordance with the terms and conditions of such plans and programs. Executive shall also be eligible to participate in the Wintrust 1997 Stock Incentive Plan or any successor Plan thereto.

3. Extent of Service. Executive shall devote Executive's entire time, attention and energies to the business of Wintrust during the Term of this Agreement; but this shall not be construed as preventing Executive from: (a) investing Executive's personal assets in such form or manner as will not require any services on the part of Executive in the operation or the affairs of the corporations, partnerships and other entities in which such investments are made and in which Executive's participation is solely that of an investor (subject to any and all rules and regulations of applicable banking regulators or policies of Wintrust governing transactions with affiliates and ownership interests in customers); (b) engaging (whether or not during normal business hours) in any other professional, civic or philanthropic activities provided that Executive's engagement does not result in a violation of Executive's covenants under this Section or Sections 4 and 5 hereof; or (c) accepting appointments to the boards of directors of other companies provided that the Board of Directors of Wintrust approves of such appointments and Executive's performance of Executive's duties on such boards does not result in a violation of Executive's covenants under this Section or Sections 4 or 5 hereof.

4. Competition. Other than in connection with Executive's performance of Executive's duties hereunder, during the period in which Executive performs services for Wintrust and for a period of **three years** after termination of Executive's employment with Wintrust, regardless of the reason, Executive shall not directly or indirectly, either alone or in conjunction with any other person, firm, association, company or corporation:

(a) serve as a principal, owner, senior manager, or in a position comparable to that held by Executive at any time during Executive's employment with Wintrust, for a bank or other financial institution (or any branch or affiliate thereof) which offers to its customers any of the services provided by Wintrust or its Affiliates and which operates in the Market Area of Wintrust or any Affiliate;

(b) solicit or conduct business which involves any of the services provided by Wintrust or its Affiliates from or with any person, corporation or other entity which was (i) a customer of Wintrust or any Affiliate with whom Executive had direct or indirect contact while employed by Wintrust or about whom Executive obtained Confidential Information during the fifteen months prior to the termination of Executive's

employment with Wintrust, or (ii) a potential customer with whom Wintrust or any Affiliate has, at the time of Executive's termination of employment with Wintrust, an outstanding oral or written proposal to provide any of the services provided by Wintrust or its Affiliates and with whom Executive had direct or indirect contact while employed by Wintrust;

(c) request, advise or directly or indirectly invite any of the existing customers, suppliers or service providers of Wintrust or any Affiliate to withdraw, curtail or cancel its business with Wintrust or any Affiliate (other than through mass mailings or general advertisements not specifically directed at customers of Wintrust or any Affiliate);

(d) hire, solicit, induce or attempt to solicit or induce any employee, consultant, or agent of Wintrust or any Affiliate (i) to terminate his employment or association with Wintrust or any Affiliate or (ii) to become employed by or to serve in any capacity by a bank or other financial institution which operates or is planned to operate in the Market Area of Wintrust or of any Affiliate; or

(e) in any way participate in planning or opening a bank or other financial institution which operates or is intended to operate in the Market Area of Wintrust or of any Affiliate.

For the purposes of this Agreement, the Market Area of Wintrust or of an Affiliate shall be the area within a ten (10) mile radius of the principal office and branches of Wintrust or of any Affiliate.

Notwithstanding the foregoing, Executive shall not be prevented from: (i) investing or owning shares of stock of any corporation engaged in any business provided that such shares are regularly traded on a national securities exchange or in any over-the-counter market; (ii) retaining any shares of stock in any corporation which Executive owned prior to the date of Executive's employment with Wintrust (subject to any and all rules and regulations of applicable banking regulators or policies of Wintrust governing transactions with affiliates and ownership interests in customers); or (iii) investing as a limited partner (without decision-making authority) in any private equity fund, provided that Executive's involvement in such investment is solely that of a passive investor (subject to any and all rules and regulations of applicable banking regulators or policies of the Employer governing transactions with affiliates and ownership interests in customers).

5. Confidential Information. Executive acknowledges that, during Executive's employment with Wintrust, Executive has and will obtain access to Confidential Information of and for Wintrust or its Affiliates. For purposes of this Agreement, "Confidential Information" shall mean information not generally known or available without restriction to the trade or industry, including, without limitation, the following categories of information and documentation: (a) documentation and information relating to lending customers of Wintrust or any Affiliate, including, but not

limited to, lists of lending clients with their addresses and account numbers, credit analysis reports and other credit files, outstanding loan amounts, repayment dates and instructions, information regarding the use of the loan proceeds, and loan maturity and renewal dates; (b) documentation and information relating to depositors of Wintrust or any Affiliate, including, but not limited to, lists of depositors with their addresses and account numbers, amounts held on deposit, types of depository products used and the number of accounts per customer; (c) documentation and information relating to trust customers of Wintrust or any Affiliate, including, but not limited to, lists of trust customers with their addresses and account numbers, trust investment management contracts, identity of investment managers, trust corpus amounts, and grantor and beneficiary information; (d) documentation and information relating to investment management clients of Wintrust or any Affiliate, including, but not limited to, lists of investors with their addresses, account numbers and beneficiary information, investment management contracts, amount of assets held for management, and the nature of the investment products used; (e) the identity of actual or potential customers of Wintrust or any Affiliate, including lists of the same; (f) the identity of suppliers and service providers of Wintrust or any Affiliate, including lists of the same and the material terms of any supply or service contracts; (g) marketing materials and information regarding the products and services offered by Wintrust or any Affiliate and the nature and scope of use of such marketing materials and product information; (h) policy and procedure manuals and other materials used by Wintrust or any Affiliate in the training and development of its employees; (i) identity and contents of all computer systems, programs and software utilized by Wintrust or any Affiliate to conduct its operations and manuals or other instructions for their use; (j) minutes or other summaries of Board of Directors or other department or committee meetings held by Wintrust or any Affiliate; (k) the business and strategic growth plans of Wintrust or any Affiliate; and (l) confidential communication materials provided for shareholders of Wintrust or of any Affiliate. Absent prior authorization by Wintrust or as required in Executive's duties for Wintrust, Executive will not at any time, directly or indirectly, use, permit the use of, disclose or permit the disclosure to any third party of any such Confidential Information to which Executive will be provided access. These obligations apply both during Executive's employment with Wintrust and shall continue beyond the termination of Executive's employment and this Agreement.

6. Inventions. All discoveries, designs, improvements, ideas, and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Wintrust or any Affiliate or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Wintrust or any Affiliate that may be conceived, developed, or made by Executive during employment with Wintrust (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Wintrust or an Affiliate. Executive shall immediately disclose to Wintrust all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary to perfect the property rights of Wintrust or any Affiliate therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived, developed, or made by Executive during employment with Wintrust. The provisions of

this Section 6 shall not apply to any Invention for which no equipment, supplies, facility, or trade secret information of Wintrust or any Affiliate is used by Executive and which is developed entirely on Executive's own time, unless (a) such Invention relates (i) to the business of Wintrust or an Affiliate or (ii) to the actual or demonstrably anticipated research or development of Wintrust or an Affiliate, or (b) such Invention results from work performed by Executive for Wintrust.

7. Remedies. Executive acknowledges that the compliance with the terms of this Agreement is necessary to protect the Confidential Information and goodwill of Wintrust and its Affiliates and that any breach by Executive of this Agreement will cause continuing and irreparable injury to Wintrust and its Affiliates for which money damages would not be an adequate remedy. Executive acknowledges that Affiliates are and are intended to be third party beneficiaries of this Agreement. Executive acknowledges that Wintrust and any Affiliate shall, in addition to any other rights or remedies they may have, be entitled to injunctive relief for any breach by Executive of any part of this Agreement. This Agreement shall not in any way limit the remedies in law or equity otherwise available to Wintrust and its Affiliates.

8. Term of Agreement. Unless terminated sooner as provided in Section 9, the initial term of Executive's employment pursuant to this Agreement ("Initial Term") shall be **three years**, commencing on the date of this Agreement. After such Initial Term, this Agreement shall be extended automatically for successive three-year terms, unless either Executive or Wintrust gives contrary written notice not less than 60 days in advance of the expiration of the Initial Term or any succeeding term of this Agreement or unless terminated sooner as provided in Section 9. Notwithstanding the foregoing, if at any time during the Initial Term or any successive three-year term there is a Change in Control of Wintrust (as defined in Section 9(f)), then upon the first occurrence of such a Change in Control, the Initial Term or the successive three-year term of this Agreement (whichever is in effect as of the date of the Change in Control) shall automatically extend for the greater of (a) the amount of time remaining on Executive's Initial Term of employment if such first occurrence of a Change in Control occurs during the Initial Term or (b) two years from the date of such first occurrence of a Change in Control. In the event that Executive's Initial Term or successive three-year term is extended due to such a Change in Control, such extension shall further be extended automatically for successive three-year terms, unless either Executive or Wintrust gives contrary written notice not less than 60 days in advance of the expiration of the extension of this Agreement or unless terminated sooner as provided in Section 9. The Initial Term, together with any extension thereof in accordance with this Section 8, shall be referred to herein as the "Term."

#### 9. Termination of Employment.

(a) General Provisions. Executive's employment may be terminated by Wintrust at any time for any reason, with or without cause, and, except as otherwise provided in this Section 9, any and all of Wintrust's obligations under this Agreement shall terminate, other than Wintrust's obligation to pay Executive, within 30 days of

Executive's termination of employment, the full amount of any earned but unpaid base salary and accrued but unpaid vacation pay earned by Executive pursuant to this Agreement through and including the date of termination and to observe the terms and conditions of any plan or benefit arrangement which, by its terms, survives such termination of Executive's employment. The payments to be made under this Section 9(a) shall be made to Executive, or in the event of Executive's death, to such beneficiary as Executive may designate in writing to Wintrust for that purpose, or if Executive has not so designated, then to the spouse of Executive, or if none is surviving, then to the estate of Executive. Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect.

(b) Termination Due to Death .

(i) Payment. If Executive should die during the Term of this Agreement, which event shall result in the termination of Executive's employment, Wintrust shall pay Executive an amount equal to **three times (3x)** the sum of (A) Executive's base annual salary in effect at the time of Executive's death plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to Executive's death and any Stock Bonus amounts awarded or granted to Executive during the twelve-month period prior to Executive's death, in a lump sum within 30 days following the date of Executive's death. For the purposes of this Agreement, "Cash Bonus" shall mean any cash bonus amounts that are included in Executive's annual bonus plan, as approved in writing by Wintrust's Board of Directors or the Compensation Committee or any successor committee of Wintrust's Board of Directors. For the purposes of this Agreement, "Stock Bonus" shall mean any restricted shares that are included in Executive's annual bonus plan, as approved in writing by Wintrust's Board of Directors or the Compensation Committee or any successor committee of Wintrust's Board of Directors. Any bonuses (whether in cash or in the form of restricted shares) that are not included in such annual bonus plan shall not be considered to be Cash Bonus amounts or Stock Bonus awards for purposes of this Agreement. The value of the Stock Bonus amounts shall be determined as of the date they are awarded or granted to Executive.

(ii) Reduction of Payment Due To Life Insurance Benefits. The amount to be paid to Executive pursuant to this Section 9(b) shall be reduced by the amount of any life insurance benefit payments paid or payable to Executive from policies of insurance maintained and/or paid for by Wintrust; provided that in the event the life insurance benefits exceed the amount to be paid to Executive pursuant to this Section 9(b), Executive shall remain entitled to receive the excess life insurance payments. The Executive will cooperate with Wintrust in order to enable Wintrust to pay for a policy or policies of life insurance on the life of the Executive. To the extent that the Executive is not insurable or a life insurance policy is not reasonably obtainable, then the payments due under this Section 9(b) shall be reduced by 50%.

(iii) Beneficiary. The payments to be made under this Section 9(b) shall be made to such beneficiary as Executive may designate in writing to Wintrust for this purpose, or if Executive has not so designated, then to the spouse of Executive, or if none is surviving, then to the estate of Executive.

(c) Termination Due to Permanent Disability .

(i) Payment. If Executive should suffer a permanent disability during the Term of this Agreement, Wintrust shall have the right to terminate Executive's employment. In such event, Wintrust shall pay Executive an amount equal to **three times (3x)** the sum of (A) Executive's base annual salary in effect at the time of Executive's permanent disability plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to Executive's permanent disability and any Stock Bonus amounts awarded or granted to Executive during the twelve-month period prior to Executive's permanent disability. Such amount shall be paid to Executive ratably over a 36-month period beginning on the first payroll period following such termination and on each payroll period thereafter during the 36-month period. For the purposes of this Agreement, "permanent disability" means any mental or physical illness, disability or incapacity that renders Executive unable to perform Executive's duties hereunder where (x) such permanent disability has been determined to exist by a physician selected by Wintrust or (y) Wintrust has reasonably determined, based on such physician's advice, that such disability will continue for 180 days or more within any 365-day period, of which at least 90 days are consecutive. Executive shall cooperate in all respects with Wintrust if a question arises as to whether he has become disabled (including, without limitation, submitting to an examination by a physician or other health care specialist selected by Wintrust and authorizing such physician or other health care specialist to discuss Executive's condition with Wintrust).

(ii) Reduction of Payment Due To Long Term Disability Insurance Benefits. The amount to be paid to Executive pursuant to this Section 9(c) shall be reduced by the amount of any long-term disability benefit payments paid or payable to Executive during such payment period from policies of insurance maintained and/or paid for by Wintrust; provided that in the event the long-term disability benefits exceed the amount to be paid to Executive pursuant to this Section 9(c), Executive shall remain entitled to receive the excess long-term disability insurance payments.

(iii) Reduction of Payment Due To Earned Income. The amount to be paid to Executive under this Section 9(c) shall be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during the applicable Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive's termination, the amount of Severance Pay under this Section 9(c) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive's continued service in such capacity. Notwithstanding the foregoing, Executive's Severance Pay to be

paid under this Section 9(c) shall be not less than an amount to provide Executive with a gross monthly payment of \$20,000.00 during the 36-month Severance Pay period. Executive agrees to promptly notify Wintrust if Executive obtains employment of any sort during the applicable Severance Pay period and to provide Wintrust with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of contributions received under any deferred compensation arrangement.

(iv) Continued Participation In Benefit Plans. In the event of termination due to a permanent disability, from the termination date through the earlier of (A) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion or (B) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage. Such coverage shall be provided, at the option of Wintrust, either: (x) under the Wintrust group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Wintrust's expense, subject to any normal employee contributions, if any; or (y) under an individual health insurance policy having coverage similar to that provided by the Wintrust group health plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage), at Wintrust's expense. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive's period of COBRA coverage, if any. Executive shall promptly notify Wintrust if Executive becomes eligible for coverage under another group health plan with no pre-existing condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(d) Termination Without Cause.

(i) Payment. In the event Executive's employment is terminated without Cause (as such term is defined in Section 9(h) hereof) by Wintrust during the Term of this Agreement, other than upon the expiration of the Term of this Agreement, Wintrust shall pay Severance Pay to Executive in the amount equal to **three times (3x)** the sum of (A) Executive's base annual salary in effect at the time of Executive's termination plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to termination and any Stock Bonus amounts awarded or granted to Executive during the twelve-month period prior to termination. Severance Pay under this Section 9(d) shall be paid to the Executive ratably over a 36-month period beginning on the first payroll period following such termination and on each payroll period thereafter during such Severance Pay period.

(ii) Reduction of Payment Due To Earned Income. The amount of Severance Pay under this Section 9(d) shall be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during the applicable Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor

or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive's termination, the amount of Severance Pay under this Section 9(d) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive's continued service in such capacity. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(d) shall be not less than an amount to provide Executive with a gross monthly payment of \$20,000.00 during the 36-month Severance Pay period. Executive agrees to promptly notify Wintrust if Executive obtains employment of any sort during the applicable Severance Pay period and to provide Wintrust with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of contributions received under any deferred compensation arrangement.

(iii) Company-Paid Health Insurance. In the event of Executive's termination pursuant to this Section 9(d), from the termination date through the earlier of (A) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion or (B) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage. Such coverage shall be provided, at the option of Wintrust, either: (x) under the Wintrust group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Wintrust's expense, subject to any normal employee contributions, if any; or (y) under an individual health insurance policy having coverage similar to that provided by the Wintrust group health plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage), at Wintrust's expense. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive's period of COBRA coverage, if any. Executive shall promptly notify Wintrust if Executive becomes eligible for coverage under another group health plan with no pre-existing condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(e) Constructive Termination.

(i) Payment. If Executive suffers a Constructive Termination during the Term of this Agreement, other than upon the expiration of the Term of this Agreement, Wintrust shall pay Severance Pay to Executive in the amounts and at the times described in Section 9(d) hereof. For the purposes of this Agreement, "Constructive Termination" means (A) a material reduction by Wintrust in the duties and responsibilities of Executive or (B) a reduction by Wintrust of Executive's "Adjusted Total Compensation" (as hereinafter defined), to (1) less than seventy-five percent (75%) of the Adjusted Total Compensation of Executive for the twelve-month period ending as of the last day of the month immediately preceding the month in which the Constructive Termination occurs; or (2) less than seventy-five percent (75%) of the Executive's Adjusted Total Compensation for the twelve-month period ending as of the last day of the month preceding the Effective Date, whichever is greater. A Constructive Termination

does not include termination for Cause as defined in Section 9(h), termination without Cause as defined in Section 9(d), or termination due to a permanent disability as defined in Section 9(c).

(ii) Reduction of Payment Due To Earned Income. The amount of Severance Pay under this Section 9(e) shall be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during such Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive's Constructive Termination, the amount of Severance Pay under this Section 9(e) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive's continued service in such capacity. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(e) shall be not less than an amount to provide Executive with a gross monthly payment of \$ 20,000.00 during the 36-month Severance Pay period. Executive agrees to promptly notify Wintrust if he or she obtains employment of any sort during the applicable Severance Pay period and to provide Wintrust with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of contributions received under any deferred compensation arrangement.

(iii) Company-Paid Health Insurance. In the event of Executive's Constructive Termination pursuant to this Section 9(e), from the termination date through the earlier of (A) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion, or (B) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage. Such coverage shall be provided, at the option of Wintrust, either: (x) under the Wintrust group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Wintrust's expense, subject to any normal employee contributions, if any; or (y) under an individual health insurance policy having coverage similar to that provided by the Wintrust group health plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage), at Wintrust's expense. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive's period of COBRA coverage, if any. Executive shall promptly notify Wintrust if Executive becomes eligible for coverage under another group health plan with no pre-existing condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(iv) Definitions.

(A) For the purposes of this Agreement, “Adjusted Total Compensation” means the aggregate base salary earned by the Executive plus the dollar value of all perquisites (i.e. Wintrust provided car, club dues and supplemental life insurance) as estimated by Wintrust in respect of the Executive for the relevant twelve month period. Adjusted Total Compensation shall exclude any Cash Bonus, Stock Bonus, or other bonus payments paid or earned by the Executive. For the purpose of illustration, attached as Exhibit B to this Agreement is the base salary paid and the dollar value of the Executive’s perquisites for the last fiscal year of Wintrust.

(B) For the purposes of this Section 9(e), the Executive will not be deemed to have incurred a reduction by Wintrust of Executive’s Adjusted Total Compensation if there is a general reduction in base salaries and/or perquisites applicable to the President, Chief Executive Officer and all Executive and Senior Vice Presidents of Wintrust.

(f) Termination Upon Change In Control.

(i) Payment. In the event that within eighteen months after a Change in Control of Wintrust (as defined below) (A) Executive’s employment is terminated without Cause (as such term is defined in Section 9(h) hereof) prior to the expiration of the Term of this Agreement, or (B) Executive suffers a Constructive Termination prior to the expiration of the Term of this Agreement, Wintrust (or the successor thereto) shall pay Severance Pay to Executive in the amount that is equivalent to the amount described in Section 9(d) hereof in a lump sum within thirty (30) days following the date of Executive’s termination or Constructive Termination.

(ii) Change In Control. For the purposes of this Agreement, a “Change in Control” shall have the same meaning as provided in Section 12 (b) of the Wintrust 1997 Stock Incentive Plan.

(iii) Gross-Up Payment. If it is determined that any amount, right or benefit paid or payable (or otherwise provided or to be provided) to the Executive by Wintrust or any of its affiliates under this Agreement or any other plan, program or arrangement under which Executive participates or is a party, other than amounts payable under this Section 9(f)(iii) (collectively, the “Payments”), would constitute an “excess parachute payment” within the meaning of Section 280G of the Internal Revenue Code, subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the “Excise Tax”), then Executive shall be entitled to receive an additional cash payment (a “Gross-Up Payment”) within 30 days of such determination equal to an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive would retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the total Payments. All

determinations required to be made under this Section 9(f)(iii), including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Wintrust's independent auditor. The auditor shall promptly provide detailed supporting calculations to both Wintrust and Executive following any determination that a Gross-Up Payment is necessary. All fees and expenses of the auditor shall be paid by Wintrust. If no determination by Wintrust's auditors is made prior to the time a tax return reflecting the total Payments is required to be filed by Executive, Executive will be entitled to receive a Gross-Up Payment calculated on the basis of the total Payments reported by Executive in such tax return, within 30 days of the filing of such tax return. All determinations made by such auditor shall be binding upon Wintrust and Executive. In all events, if any tax authority determines that a greater Excise Tax should be imposed upon the total Payments than is determined by Wintrust's independent auditors or reflected in Executive's tax return pursuant to this Section, Executive shall be entitled to receive the full Gross-Up Payment calculated on the basis of the amount of Excise Tax determined to be payable by such tax authority from Wintrust within 30 days of such determination. In the event that any tax authority determines that a lesser Excise Tax should be imposed on the total Payments than is determined by Wintrust's independent auditors or reflected in Executive's tax return pursuant to this Section, and Wintrust paid a Gross-Up Payment to the Executive in excess of the amount of the Gross-Up Payment to which he is actually entitled hereunder, then such excess shall be reimbursed by the Executive to Wintrust within 30 days of such determination.

(iv) Company-Paid Health Insurance. In the event Executive becomes entitled to payments under this Section 9(f), from the termination date through the earlier of (A) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion, or (B) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage. Such coverage shall be provided, at the option of Wintrust, either: (x) under the Wintrust group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Wintrust's expense, subject to any normal employee contributions, if any; or (y) under an individual health insurance policy having coverage similar to that provided by the Wintrust group health plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage), at Wintrust's expense. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive's period of COBRA coverage, if any. Executive shall promptly notify Wintrust if, prior to the expiration of the maximum period of COBRA coverage, Executive becomes eligible for coverage under another group health plan with no pre-existing condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(v) Definitions. For the purposes of this Section 9(f), the term “Constructive Termination” shall have the same meaning as such term is defined in Section 9(e) with the following modifications:

(A) A Constructive Termination shall be deemed to have occurred if after a Change in Control, the Executive’s Adjusted Total Compensation is reduced to less than (1) 100% of the Adjusted Total Compensation of Executive for the twelve-month period ending as of the last day of the month immediately preceding the month in which the Constructive Termination occurs or (2) 100% percent of the Executive’s Adjusted Total Compensation for the twelve-month period ending as of the last day of the month preceding the Effective Date, whichever is greater.

(B) A Constructive Termination shall also be deemed to have occurred if after a Change in Control, Wintrust (or the successor thereto) delivers written notice to Executive that it will continue to employ Executive but will reject this Agreement (other than due to the expiration of the Term of this Agreement).

(C) Subsection 9(e)(v)(B) shall not be applicable to a Constructive Termination following a Change in Control.

(g) Voluntary Termination. Executive may voluntarily terminate employment during the Term of this Agreement by a delivery to Wintrust of a written notice at least 60 days in advance of the termination date. If Executive voluntarily terminates employment prior to the expiration of the Term of this Agreement, any and all of Wintrust’s obligations under this Agreement shall terminate immediately except for Wintrust’s obligations contained in Section 9(a) hereof. Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect.

(h) Termination For Cause. If Executive is terminated for Cause as determined by the written resolution of Wintrust’s Board of Directors or the Compensation Committee or any successor committee of the Wintrust Board of Directors, all obligations of Wintrust shall terminate immediately except for Wintrust’s obligations described in Section 9(a) hereof. Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect. For purposes of this Agreement, termination for “Cause” means:

(i) Executive’s failure or refusal, after written notice thereof and after reasonable opportunity to cure, to perform specific directives approved by a majority of the Wintrust Board of Directors which are consistent with the scope and nature of Executive’s duties and responsibilities as provided in Section 1 of this Agreement;

(ii) Habitual drunkenness or illegal use of drugs which interferes with the performance of Executive's duties and obligations under this Agreement;

(iii) Executive's conviction of a felony;

(iv) Any defalcation or acts of gross or willful misconduct of Executive resulting in or potentially resulting in economic loss to Wintrust or substantial damage to Wintrust's reputation;

(v) Any breach of Executive's covenants contained in Sections 4 through 6 hereof;

(vi) A written order requiring the termination of Executive from Executive's position with Wintrust or any Affiliate for which Executive is also providing services by any regulatory agency or body; or

(vii) Executive's engagement, during the performance of Executive's duties hereunder, in acts or omissions constituting fraud, intentional breach of fiduciary obligation, intentional wrongdoing or malfeasance, or intentional and material violation of applicable banking laws, rules, or regulations.

(i) Executive's right to receive Severance Pay per Sections 9(c) through 9(f) hereof is contingent upon (i) Executive having executed and delivered to Wintrust a release in such form as provided by Wintrust and (ii) Executive not violating any of Executive's on-going obligations under this Agreement.

(j) The payment of Severance Pay to Executive pursuant to Sections 9(c) through 9(f) hereof shall be liquidated damages for and in full satisfaction of any and all claims Executive may have relating to or arising out of Executive's employment and termination of employment by Wintrust, any and all claims Executive may have relating to or arising out of this Agreement and the termination thereof and any and all claims Executive may have arising under any statute, ordinance or regulation or under common law. Executive expressly acknowledges and agrees that, except for whatever claim Executive may have to Severance Pay, Executive shall not have any claim for damages or other relief of any sort relating to or arising out of Executive's employment or termination of employment by Wintrust or relating to or arising out of this Agreement and the termination thereof.

(k) Upon termination of employment with Wintrust for any reason, Executive shall promptly deliver to Wintrust all writings, records, data, memoranda, contracts, orders, sales literature, price lists, client lists, data processing materials, and other documents, whether or not obtained from Wintrust or any Affiliate, which pertain to or were used by Executive in connection with Executive's employment by Wintrust or which pertain to any Affiliate, including, but not limited to, Confidential Information, as

well as any automobiles, computers or other equipment which were purchased or leased by Wintrust for Executive.

10. Resolution of Disputes. Except as otherwise provided herein, any disputes arising under or in connection with this Agreement or in any way arising out of, relating to or associated with the Executive's employment with Wintrust or the termination of such employment ("Claims"), that Executive may have against Wintrust or against its Affiliates, officers, directors, employees or agents in their capacity as such or otherwise, or that Wintrust may have against Executive, shall be resolved by binding arbitration, to be held in Chicago, Illinois, in accordance with the rules and procedures of the National Rules for the Resolution of Employment Disputes of the American Arbitration Association (the "AAA") and the parties hereby agree to expedite such arbitration proceedings to the extent permitted by the AAA. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Claims covered by this Agreement include, but are not limited to: claims for wages or other compensation due; claims for breach of any contract or covenant, express or implied; tort claims; claims for discrimination, including but not limited to discrimination based on race, sex, sexual orientation, religion, national origin, age, marital status, handicap, disability or medical condition or harassment on any of the foregoing bases; claims for benefits, except as excluded in the following paragraph; and claims for violation of any federal, state or other governmental constitution, statute, ordinance, regulation, or public policy. The Claims covered by this Agreement do not include claims for workers' compensation benefits or compensation; claims for unemployment compensation benefits; claims based upon an employee pension or benefit plan, the terms of which contain an arbitration or other non-judicial resolution procedure, in which case the provisions of such plan shall apply; and claims made by either Wintrust or the Executive for injunctive and/or other equitable relief regarding the covenants set forth in Sections 3, 4, 5 and 6 of this Agreement. Each party shall initially bear their own costs of the arbitration or litigation, except that, if Wintrust is found to have violated any material terms of this Agreement, Wintrust shall reimburse Executive for the entire amount of reasonable attorneys' fees incurred by Executive as a result of the dispute hereunder in addition to the payment of any damages awarded to Executive.

11. General Provisions.

(a) All provisions of this Agreement are intended to be interpreted and construed in a manner to make such provisions valid, legal, and enforceable. To the extent that any Section of this Agreement or any word, phrase, clause, or sentence hereof shall be deemed by any court to be illegal or unenforceable, such word, clause, phrase, sentence, or Section shall be deemed modified, restricted, or omitted to the extent necessary to make this Agreement enforceable. Without limiting the generality of the foregoing, if the scope of any covenant in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent provided by law; and Executive agrees that such scope may be judicially modified accordingly.

(b) This Agreement may be assigned by Wintrust. This Agreement and the covenants set forth herein shall inure to the benefit of and shall be binding upon the successors and assigns of Wintrust.

(c) This Agreement may not be assigned by Executive, but shall be binding upon Executive's executors, administrators, heirs, and legal representatives.

(d) No waiver by either party of any breach by the other party of any of the obligations, covenants, or representations under this Agreement shall constitute a waiver of any prior or subsequent breach.

(e) Where in this Agreement the masculine gender is used, it shall include the feminine if the sense so requires.

(f) Wintrust may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state, or local law.

(g) This instrument constitutes the entire agreement of the parties with respect to its subject matter. This Agreement may not be changed or amended orally but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought. Any other understandings and agreements, oral or written, respecting the subject matter hereof are hereby superseded and canceled.

(h) The provisions of Sections 4, 5, 6, 7, 9(i), 9(j), 10, 11, and 12 of this Agreement shall survive the termination of Executive's employment with Wintrust and the expiration or termination of this Agreement.

12. Governing Law. The parties agree that this Agreement shall be construed and governed by the laws of the State of Illinois, excepting its conflict of laws principles. Further, the parties acknowledge and specifically agree to the jurisdiction of the courts of the State of Illinois in the event of any dispute regarding Sections 3, 4, 5, or 6 of this Agreement.

13. Notice of Termination. Subject to the provisions of Section 8, in the event that Wintrust desires to terminate the employment of the Executive during the Term of this Agreement, Wintrust shall deliver to Executive a written notice of termination, stating whether the termination constitutes a termination in accordance with Section 9(c), 9(d), 9(e), 9(f), or 9(h). In the event that Executive determines in good faith that Executive has experienced a Constructive Termination, Executive shall deliver to Wintrust a written notice stating the circumstances that constitute such Constructive Termination. In the event that the Executive desires to effect a voluntary termination of Executive's employment in accordance with Section 9(g), Executive shall deliver a written notice of such voluntary termination to Wintrust.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date written opposite their signatures.

**WINTRUST FINANCIAL CORPORATION**

By: \_\_\_\_\_

\_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

## EXHIBIT A

Advantage National Bank  
Barrington Bank & Trust Company, N.A.  
Beverly Bank & Trust Company, N.A.  
Crystal Lake Bank & Trust Company, N.A.  
First Insurance Funding Corporation  
Focused Investments LLC  
Hinsdale Bank & Trust Company  
Lake Forest Bank & Trust Company  
Libertyville Bank & Trust Company  
North Shore Community Bank & Trust Company  
Northbrook Bank & Trust Company  
Town Bank (Wisconsin)  
Tricom, Inc. of Milwaukee  
Village Bank & Trust-Arlington Heights  
Wayne Hummer Asset Management Company  
Wayne Hummer Investments, LLC  
Wayne Hummer Trust Company, N.A.  
Wheaton Bank & Trust Company  
Wintrust Information Technology Services Company

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**EXHIBIT B**



**EMPLOYMENT AGREEMENT**

This Employment Agreement (the "Agreement") is made by and between WINTRUST FINANCIAL CORPORATION ("Employer"), a bank holding company, and \_\_\_\_\_, an individual resident in the State of Illinois ("Executive") as of January 26, 2005.

WITNESSETH THAT:

WHEREAS, Employer is engaged in the business of general banking;

WHEREAS, Employer is an affiliate of Wintrust Financial Corporation ("Wintrust"), an Illinois bank holding company;

WHEREAS, Executive has particular expertise and knowledge concerning the business of Employer and its operations and is a valued member of Employer's senior management;

WHEREAS, by virtue of Executive's employment with Employer, Executive will become acquainted with certain confidential information regarding the services, customers, methods of doing business, strategic plans, marketing, and other aspects of the business of Employer, Wintrust or its Affiliates;

WHEREAS, Employer and Executive desire to state and set forth in this Agreement the terms, conditions and obligations of the parties with respect to such employment effective as of the date first written above (the "Effective Date") and this Agreement is intended by the parties to supersede all previous agreements and understanding, whether written or oral, concerning such employment.

NOW THEREFORE, in consideration of the covenants and agreements contained herein, of Executive's employment, of the compensation to be paid by Employer for Executive's services, and of Employer's other undertakings in this Agreement, the parties hereto do hereby agree as follows:

1. Scope of Employment. Executive will be employed as Executive Vice President and Chief Financial Officer of Employer and shall perform such duties as may be assigned to Executive by the Chief Executive Officer of and the Board of Directors of Employer in such position. Executive agrees that during Executive's employment Executive will be subject to and abide by the written policies and practices of Employer and Wintrust. Executive also agrees to assume such new or additional positions and responsibilities as Executive may from time to time be assigned for or on behalf of Employer, Wintrust, or any Affiliate of Wintrust. Notwithstanding the foregoing, during the Term (as defined in Section 8 herein) of this Agreement, Executive will not be required without Executive's consent to move Executive's principal business location to another location more than a 35 mile radius from Executive's principal business location. For purposes of this Agreement, the term "Affiliate" shall include but not be limited to the entities listed in Exhibit A to this Agreement and any subsidiary of any of such entities and shall further include any present or future affiliate of any of them as defined by the rules and regulations of the Federal Reserve Board. In the event Executive shall perform

services for Wintrust or any Affiliate in addition to serving as Executive Vice President and Chief Financial Officer of Employer, the provisions of this Agreement shall also apply to the performance of such services by Executive on behalf of Wintrust or any Affiliate.

2. Compensation and Benefits. Executive will be paid such base salary as may from time to time be agreed upon between Executive and Employer. Executive will be entitled to coverage under such compensation plans, insurance plans and other fringe benefit plans and programs as may from time to time be established for employees of Wintrust and its Affiliates in accordance with the terms and conditions of such plans and programs. Executive shall also be eligible to participate in the Wintrust 1997 Stock Incentive Plan or any successor Plan thereto.

3. Extent of Service. Executive shall devote Executive's entire time, attention and energies to the business of Employer during the Term of this Agreement; but this shall not be construed as preventing Executive from (a) investing Executive's personal assets in such form or manner as will not require any services on the part of Executive in the operation or the affairs of the corporations, partnerships and other entities in which such investments are made and in which Executive's participation is solely that of an investor (subject to any and all rules and regulations of applicable banking regulators or policies of the Employer governing transactions with affiliates and ownership interests in customers); (b) engaging (whether or not during normal business hours) in any other business, professional or civic activities provided that the Board of Directors of Employer approves of such activities and Executive's engagement does not result in a violation of Executive's covenants under this Section or Sections 4 or 5 hereof; or (c) accepting appointments to the boards of directors of other companies provided that the Board of Directors of Employer approves of such appointments and Executive's performance of Executive's duties on such boards does not result in a violation of Executive's covenants under this Section or Sections 4 and 5 hereof.

4. Competition. Other than in connection with Executive's performance of Executive's duties hereunder, during the period in which Executive performs services for Employer and for a period of **two years** after termination of Executive's employment with Employer, regardless of the reason, Executive shall not directly or indirectly, either alone or in conjunction with any other person, firm, association, company or corporation:

(a) serve as an owner, principal, senior manager, or in a position comparable to that held by Executive at any time during Executive's employment with Employer, for a bank or other financial institution (or any branch or affiliate thereof) which offers to its customers commercial and community banking and/or trust and investment services, and which is located within ten miles of the principal office or any branch office of the Employer;

(b) solicit or conduct business which involves commercial and community banking and/or trust and investment services with any person, corporation or other entity which was (i) a customer of the Employer, Wintrust or any other Affiliate of Wintrust with whom Executive had direct or indirect contact while employed by Employer or about whom Executive obtained Confidential Information during the fifteen months prior to the termination of Executive's employment with Employer, or (ii) a potential customer with whom Employer, Wintrust, or any Affiliate has, at the time of Executive's termination of employment with

Employer, an outstanding oral or written proposal to provide commercial and community banking and/or trust and investment services and with whom Executive had direct or indirect contact while employed by Employer;

(c) request, advise or directly or indirectly invite any of the existing customers, suppliers or service providers of Employer, Wintrust or any other Affiliate of Wintrust to withdraw, curtail or cancel its business with Employer, Wintrust or any other Affiliate of Wintrust, other than through mass mailings or general advertisements not specifically directed at customers of Employer, Wintrust or any Affiliate;

(d) hire, solicit, induce or attempt to solicit or induce any employee, consultant, or agent of Employer, Wintrust or any other Affiliate of Wintrust (i) to terminate his employment or association with Employer or (ii) to become employed by or serve in any capacity by a bank or other financial institution which operates or is planned to operate at any facility which is located within a ten mile radius of the principal office or any branch office of the Employer; or

(e) in any way participate in planning or opening a bank or other financial institution which is located or will be located within a ten mile radius of the principal office or any branch office of the Employer. For the purposes of this Agreement, in the event Executive's geographic area of responsibility as specified herein shall change during employment with Employer, or as the result of performing services for Wintrust or any Affiliate of Wintrust, the Executive's obligation stated in Sections 4(a), 4(d)(ii) and 4(e) shall apply to a ten mile radius of Executive's revised geographic area of responsibility.

Notwithstanding the foregoing, (a) Executive shall not be prevented from: (i) investing or owning shares of stock of any corporation engaged in any business provided that such shares are regularly traded on a national securities exchange or any over-the-counter market; (ii) retaining any shares of stock in any corporation which Executive owned prior to the date of Executive's employment with Employer (subject to any and all rules and regulations of applicable banking regulators or policies of the Employer governing transactions with affiliates and ownership interests in customers); or (iii) investing as a limited partner (without decision-making authority) in any private equity fund, provided that Executive's involvement in such investment is solely that of a passive investor (subject to any and all rules and regulations of applicable banking regulators or policies of the Employer governing transactions with affiliates and ownership interests in customers), and (b) Executive shall not be in violation of Sections 4(a) or 4(e) of this Agreement if, during the two-year period following termination of employment Executive accepts employment or invests in a bank or other financial institution which is within a 10 mile radius of the principal offices or any branch office of Wintrust or any Affiliate of Wintrust (other than Employer) as long as such facility is not within a ten mile radius of the principal office or any branch office of the Employer.

5. Confidential Information. Executive acknowledges that, during Executive's employment with Employer, Executive has and will obtain access to Confidential Information of and for Employer, Wintrust or its Affiliates. For purposes of this Agreement, "Confidential Information" shall mean information not generally known or available without restriction to the

trade or industry, including, without limitation, the following categories of information and documentation: (a) documentation and information relating to lending customers of Employer, Wintrust or any Affiliate, including, but not limited to, lists of lending clients with their addresses and account numbers, credit analysis reports and other credit files, outstanding loan amounts, repayment dates and instructions, information regarding the use of the loan proceeds, and loan maturity and renewal dates; (b) documentation and information relating to depositors of Employer, Wintrust or any Affiliate, including, but not limited to, lists of depositors with their addresses and account numbers, amounts held on deposit, types of depository products used and the number of accounts per customer; (c) documentation and information relating to trust customers of Employer, Wintrust or any Affiliate, including, but not limited to, lists of trust customers with their addresses and account numbers, trust investment management contracts, identity of investment managers, trust corpus amounts, and grantor and beneficiary information; (d) documentation and information relating to investment management clients of Employer, Wintrust or any Affiliate, including, but not limited to, lists of investors with their addresses, account numbers and beneficiary information, investment management contracts, amount of assets held for management, and the nature of the investment products used; (e) the identity of actual or potential customers of Employer, Wintrust or any Affiliate, including lists of the same; (f) the identity of suppliers and service providers of Employer, Wintrust or any Affiliate, including lists of the same and the material terms of any supply or service contracts; (g) marketing materials and information regarding the products and services offered by Employer, Wintrust or any Affiliate and the nature and scope of use of such marketing materials and product information; (h) policy and procedure manuals and other materials used by Employer, Wintrust or any Affiliate in the training and development of its employees; (i) identity and contents of all computer systems, programs and software utilized by Employer, Wintrust or any Affiliate to conduct its operations and manuals or other instructions for their use; (j) minutes or other summaries of Board of Directors or other department or committee meetings held by Employer, Wintrust or any Affiliate; (k) the business and strategic growth plans of Employer, Wintrust or any Affiliate; and (l) confidential communication materials provided for shareholders of Employer, Wintrust or any Affiliate. Absent prior authorization by Employer or as required in Executive's duties for Employer, Executive will not at any time, directly or indirectly, use, permit the use of, disclose or permit the disclosure to any third party of any such Confidential Information to which Executive will be provided access. These obligations apply both during Executive's employment with Employer and shall continue beyond the termination of Executive's employment and this Agreement.

6. Inventions. All discoveries, designs, improvements, ideas, and inventions, whether patentable or not, relating to (or suggested by or resulting from) products, services, or other technology of Employer, Wintrust or any Affiliate or relating to (or suggested by or resulting from) methods or processes used or usable in connection with the business of Employer, Wintrust or any Affiliate that may be conceived, developed, or made by Executive during employment with Employer (hereinafter "Inventions"), either solely or jointly with others, shall automatically become the sole property of Employer, Wintrust or an Affiliate. Executive shall immediately disclose to Employer all such Inventions and shall, without additional compensation, execute all assignments and other documents deemed necessary to perfect the property rights of Employer, Wintrust or any Affiliate therein. These obligations shall continue beyond the termination of Executive's employment with respect to Inventions conceived,

developed, or made by Executive during employment with Employer. The provisions of this Section 6 shall not apply to any Invention for which no equipment, supplies, facility, or trade secret information of Employer, Wintrust or any Affiliate is used by Executive and which is developed entirely on Executive's own time, unless (a) such Invention relates (i) to the business of Employer, Wintrust or an Affiliate or (ii) to the actual or demonstrably anticipated research or development of Employer, Wintrust or an Affiliate, or (b) such Invention results from work performed by Executive for Employer.

7. Remedies. Executive acknowledges that compliance with the terms of this Agreement is necessary to protect the Confidential Information and goodwill of Employer, Wintrust and its Affiliates and that any breach by Executive of this Agreement will cause continuing and irreparable injury to Employer, Wintrust and its Affiliates for which money damages would not be an adequate remedy. Executive acknowledges that Wintrust and all other Affiliates are and are intended to be third party beneficiaries of this Agreement. Executive acknowledges that Employer, Wintrust and any Affiliate shall, in addition to any other rights or remedies they may have, be entitled to injunctive relief for any breach by Executive of any part of this Agreement. This Agreement shall not in any way limit the remedies in law or equity otherwise available to Employer, Wintrust and its Affiliates.

8. Term of Agreement. Unless terminated sooner as provided in Section 9, the initial term of Executive's employment pursuant to this Agreement ("Initial Term") shall be three years, commencing on the date of this Agreement. After such Initial Term, this Agreement shall be extended automatically for successive one-year terms, unless either Executive or Employer gives contrary written notice not less than 60 days in advance of the expiration of the Initial Term or any succeeding term of this Agreement or unless terminated sooner as provided in Section 9. Notwithstanding the foregoing, if at any time during the Initial Term or any successive one-year term there is a Change in Control of Employer (as defined in Section 9(f)), then upon the first occurrence of such a Change in Control, the Initial Term or the successive one-year term of this Agreement (whichever is in effect as of the date of the Change in Control) shall automatically extend for the greater of: (a) the amount of time remaining on Executive's Initial Term of employment if such first occurrence of a Change in Control occurs during the Initial Term, or (b) two years from the date of such first occurrence of a Change in Control. In the event that Executive's Initial Term or successive one-year term is extended due to such a Change in Control, such extension shall further be extended automatically for successive one-year terms unless either Executive or Employer gives contrary written notice not less than 60 days in advance of the expiration of the extension of this Agreement or unless terminated sooner as provided in Section 9. The Initial Term, together with any extension thereof in accordance with this Section 8, shall be referred to herein as the "Term."

9. Termination of Employment.

(a) General Provisions. Executive's employment may be terminated by Employer at any time for any reason, with or without cause, and, except as otherwise provided in this Section 9, any and all of Employer's obligations under this Agreement shall terminate, other than Employer's obligation to pay Executive, within 30 days of Executive's termination of employment, the full amount of any earned but unpaid base salary and accrued but unpaid

vacation pay earned by Executive pursuant to this Agreement through and including the date of termination and to observe the terms and conditions of any plan or benefit arrangement which, by its terms, survives such termination of Executive's employment. The payments to be made under this Section 9(a) shall be made to Executive, or in the event of Executive's death, to such beneficiary as Executive may designate in writing to Employer for that purpose, or if Executive has not so designated, then to the spouse of Executive, or if none is surviving, then to the estate of Executive. Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect.

(b) Termination Due to Death .

(i) Payment. If Executive should die during the Term of this Agreement, which event shall result in the termination of Executive's employment, Employer shall pay Executive an amount equal to two times (2x) the sum of (A) Executive's base annual salary in effect at the time of Executive's death plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to Executive's death and any Stock Bonus amounts awarded or granted to Executive during the twelve-month period prior to Executive's death, in a lump sum within 30 days following the date of Executive's death. For the purposes of this Agreement, "Cash Bonus" shall mean any cash bonus amounts that are included in Executive's annual bonus plan, as approved in writing by Employer's Board of Directors or the Compensation Committee or any successor committee of Employer's Board of Directors. For the purposes of this Agreement, "Stock Bonus" shall mean any restricted shares that are included in Executive's annual bonus plan, as approved in writing by the Employer's Board of Directors or the Compensation Committee or any successor committee of Employer's Board of Directors. Any bonuses (whether in cash or in the form of restricted shares) that are not included in such annual bonus plan shall not be considered to be Cash Bonus amounts or Stock Bonus awards for purposes of this Agreement. The value of the Stock Bonus amounts shall be determined as of the date they are awarded or granted to Executive.

(ii) Reduction of Payment Due To Life Insurance Benefits. The amount to be paid to Executive pursuant to this Section 9(b) shall be reduced by the amount of any life insurance benefit payments paid or payable to Executive from policies of insurance maintained and/or paid for by Employer or Wintrust; provided that in the event the life insurance benefits exceed the amount to be paid to Executive pursuant to this Section 9(b), Executive shall remain entitled to receive the excess life insurance payments. The Executive will cooperate with the Employer or Wintrust in order to enable the Employer or Wintrust to pay for a policy or policies of life insurance on the life of the Executive. To the extent that the Executive is not insurable or a life insurance policy is not reasonably obtainable, then the payments due under this Section 9(b) shall be reduced by 50%.

(iii) Beneficiary. The payments to be made under this Section 9(b) shall be made to such beneficiary as Executive may designate in writing to Employer for that purpose, or if Executive has not so designated, then to the spouse of Executive, or if none is surviving, then to the estate of Executive.

(c) Termination Due to Permanent Disability.

(i) Payment. If Executive should suffer a permanent disability during the Term of this Agreement, Employer shall have the right to terminate Executive's employment. In such event, Employer shall pay Executive an amount equal to two times (2x) the sum of (A) Executive's base annual salary in effect at the time of Executive's permanent disability plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to Executive's permanent disability and any Stock Bonus amounts awarded or granted to Executive during the twelve-month period prior to Executive's permanent disability. Such amount shall be paid to Executive ratably over a 24-month period beginning on the first payroll period following such termination and on each payroll period thereafter during the 24-month period. For the purposes of this Agreement, "permanent disability" means any mental or physical illness, disability or incapacity that renders Executive unable to perform Executive's duties hereunder where (x) such permanent disability has been determined to exist by a physician selected by Employer or (y) Employer has reasonably determined, based on such physician's advice, that such disability will continue for 180 days or more within any 365-day period, of which at least 90 days are consecutive. Executive shall cooperate in all respects with Employer if a question arises as to whether he has become disabled (including, without limitation, submitting to an examination by a physician or other health care specialist selected by Employer and authorizing such physician or other health care specialist to discuss Executive's condition with Employer).

(ii) Reduction of Payment Due To Long Term Disability Insurance Benefits. The amount to be paid to Executive pursuant to this Section 9(c) shall be reduced by the amount of any long-term disability benefit payments paid or payable to Executive during such payment period from policies of insurance maintained and/or paid for by Employer or Wintrust; provided that in the event the long-term disability benefits exceed the amount to be paid to Executive pursuant to this Section 9(c), Executive shall remain entitled to receive the excess long-term disability insurance payments.

(iii) Reduction of Payment Due To Earned Income. The amount to be paid to Executive under this Section 9(c) shall also be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during the applicable Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive's termination, the amount of Severance Pay under this Section 9(c) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive's continued service in such capacity. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(c) shall be not less than an amount to provide Executive with a gross monthly payment of \$8,333.34 during the 24-month Severance Pay period. Executive agrees to promptly notify Employer if Executive obtains employment of any sort during the applicable Severance Pay period and to provide Employer with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of contributions received under any deferred compensation arrangement.

(iv) Continued Participation In Benefit Plans. In the event of termination due to a permanent disability, Executive's or Executive's dependents' participation in any medical, health, accident, disability, death, life insurance or similar plan in which Executive was participating immediately prior to termination shall continue (to the extent Executive and Executive's dependents are eligible to participate in such plans pursuant to the terms of such plans) for the period in which payments are being made under this Section 9(c) at Employer's or Wintrust's expense (subject to any normal employee contributions, if any), although any continuation of health coverage shall count toward the "COBRA" continuation of coverage period.

(d) Termination Without Cause.

(i) Payment. In the event Executive's employment is terminated without Cause (as such term is defined in Section 9(h) hereof) by Employer during the Term of this Agreement, other than upon the expiration of the Term of this Agreement, Employer shall pay Severance Pay to Executive in the amount equal to **two times (2x)** the sum of (A) Executive's base annual salary in effect at the time of Executive's termination plus (B) an amount equal to any Cash Bonus amounts paid to Executive during the twelve-month period prior to termination and any Stock Bonus amounts awarded or granted to Executive during the twelve-month period prior to termination. Severance Pay under this Section 9(d) shall be paid ratably over a 24-month period beginning on the first payroll period following such termination and on each payroll period thereafter during such Severance Pay period.

(ii) Reduction of Payment Due To Earned Income. The amount of Severance Pay under this Section 9(d) shall also be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during the applicable Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive's termination, the amount of Severance Pay under this Section 9(d) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive's continued service in such capacity. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(d) shall not be less than an amount to provide Executive with a gross monthly payment of \$8,333.34 during the 24-month Severance Pay period. Executive agrees to promptly notify Employer if Executive obtains employment of any sort during the applicable Severance Pay period and to provide Employer with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of any contributions received under any deferred compensation arrangement.

(iii) Company-Paid Health Insurance. In the event of Executive's termination pursuant to this Section 9(d), from the termination date through the earliest of (A) the expiration of the maximum period of COBRA coverage, (B) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion, or (C) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage under the Employer's group health insurance plan for employees (as

such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Employer's expense, subject to any normal employee contributions, if any. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive's period of COBRA coverage, if any. Executive shall promptly notify Employer if, prior to the expiration of the maximum period of COBRA coverage, Executive becomes eligible for coverage under another group health plan with no pre-existing condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(e) Constructive Termination .

(i) Payment. If Executive suffers a Constructive Termination during the Term of this Agreement, other than upon the expiration of the Term of this Agreement, Employer shall pay Severance Pay to Executive in the amounts and at the times described in Section 9(d) hereof. For the purposes of this Agreement, "Constructive Termination" means (A) a material reduction by Employer in the duties and responsibilities of Executive or (B) a reduction by Employer of Executive's "Adjusted Total Compensation" (as hereinafter defined), to (1) less than seventy-five percent (75%) of the Adjusted Total Compensation of Executive for the twelve-month period ending as of the last day of the month immediately preceding the month in which the Constructive Termination occurs; or (2) less than seventy-five percent (75%) of the Executive's Adjusted Total Compensation for the twelve-month period ending as of the last day of the month preceding the Effective Date, whichever is greater. A Constructive Termination does not include termination for Cause as defined in Section 9(h), termination without Cause as defined in Section 9(d), or termination due to a permanent disability as defined in Section 9(c).

(ii) Reduction of Payment Due To Earned Income. The amount of Severance Pay under this Section 9(e) shall be reduced by any income earned by Executive, whether paid to Executive immediately or deferred until a later date, during such Severance Pay period from employment of any sort, including without limitation full, part time or temporary employment or work as an independent contractor or as a consultant; provided that, if Executive was a member of the board of directors of another company at the time of Executive's termination, the amount of Severance Pay under this Section 9(e) shall not be reduced by any income earned by Executive during the applicable Severance Pay period due to Executive's continued service in such capacity. Notwithstanding the foregoing, Executive's Severance Pay to be paid under this Section 9(e) shall not be less than an amount to provide Executive with a gross monthly payment of \$ 8,333.34 during the 24-month Severance Pay period. Executive agrees to promptly notify Employer if Executive obtains employment of any sort during the applicable Severance Pay period and to provide Employer with a copy of any W-2 or 1099 forms or other payroll or income records and a summary of any contributions received under any deferred compensation arrangement.

(iii) Company-Paid Health Insurance. In the event of Executive's termination pursuant to this Section 9(e), from the termination date through the earliest of (A) the expiration of the maximum period of COBRA coverage, (B) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion, or (C) the date on which Executive becomes entitled to

benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage under the Employer's group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Employer's expense, subject to any normal employee contributions, if any. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive's period of COBRA coverage, if any. Executive shall promptly notify Employer if, prior to the expiration of the maximum period of COBRA coverage, Executive becomes eligible for coverage under another group health plan with no pre-existing condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(iv) Definitions.

(A) For the purposes of this Agreement, "Adjusted Total Compensation" means the aggregate base salary earned by the Executive plus the dollar value of all perquisites (i.e. Employer provided car, club dues and supplemental life insurance) as estimated by Employer in respect of the Executive for the relevant twelve-month period. Adjusted Total Compensation shall exclude any Cash Bonus, Stock Bonus, or other bonus payments paid or earned by the Executive. For the purpose of illustration, attached as Exhibit B to this Agreement is the base salary paid and the dollar value of the Executive's perquisites for the last fiscal year of Employer.

(B) For the purposes of this Section 9(e), the Executive will not be deemed to have incurred a reduction by Employer of Executive's Adjusted Total Compensation if there is a general reduction in base salaries and/or perquisites applicable to the President, Chief Executive Officer and all Vice Presidents of Employer.

(f) Termination Upon Change In Control.

(i) Payment. In the event that within eighteen months after a Change in Control (as defined below) of Employer or Wintrust (A) Executive's employment is terminated without Cause (as such term is defined in Section 9(h) hereof) prior to the expiration of the Term of this Agreement or (B) Executive suffers a Constructive Termination prior to the expiration of the Term of this Agreement, Employer (or the successor thereto) shall pay Severance Pay to Executive in the amount that is equivalent to the amount described in Section 9(d) hereof in a lump sum within 30 days following the date of Executive's termination or Constructive Termination.

(ii) Change In Control. For the purposes of this Agreement, a "Change in Control" of Employer means (A) the acquisition by any person of 50% or more of Employer's then outstanding capital stock; or (B) approval by the stockholders of Employer of a merger or consolidation effecting a change in ownership of 50% or more of the voting power of the outstanding capital stock of Employer or a sale for cash of all or substantially all of the assets of Employer; in each case, the acquiring persons in such merger, consolidation or sale shall be persons other than the stockholders of Employer, Wintrust or any Affiliate immediately prior to such transaction. For the purposes of this Agreement, a "Change in Control" of Wintrust shall

have the same meaning as provided in Section 12(b) of the Wintrust 1997 Stock Incentive Plan.

(iii) Section 280G. Notwithstanding the foregoing, if the payment required to be paid under this Section 9(f), when considered either alone or with other payments paid or imputed to the Executive from Wintrust or an Affiliate that would be deemed “excess parachute payments” under Section 280G(b)(1) of the Internal Revenue Code of 1986, as amended (the “Code”), is deemed by Wintrust to be a “parachute payment” under Section 280G(b)(2) of Code, then the amount of Severance Pay required to be paid under this Section 9(f) shall be automatically reduced to an amount equal to \$1.00 less than three times (3x) the “base amount” (as defined in Section 280G(3) of the Code) (the “Reduced Amount”). Provided, however, the preceding sentence shall not apply if the sum of (A) the amount of Severance Pay described in this Section 9(f) less (B) the amount of excise tax payable by the Executive under Section 4999 of the Code with respect to the amount of such Severance Pay and any other payments paid or imputed to the Executive from Wintrust or an Affiliate that would be deemed to be “excess parachute payments” under Section 280G(b)(1) of the Code, is greater than the Reduced Amount. The decision of Wintrust (based upon the recommendations of its tax counsel and accountants) as to the characterization of payments as parachute payments, the value of parachute payments, the amount of excess parachute payments, and the payment of the Reduced Amount shall be final.

(iv) Company-Paid Health Insurance. In the event Executive becomes entitled to payments under this Section 9(f), from the termination date through the earliest of (A) the expiration of the maximum period of COBRA coverage, (B) the date on which Executive becomes eligible for coverage under another group health insurance plan with no pre-existing condition limitation or exclusion, or (C) the date on which Executive becomes entitled to benefits under Medicare, Executive (and any qualified dependents) shall be entitled to group health insurance coverage under the Employer’s group health insurance plan for employees (as such plan is then in effect and as it may be amended at any time and from time to time during the period of coverage) in which Executive was participating immediately prior to termination, at Employer’s expense, subject to any normal employee contributions, if any. The period during which Executive is being provided with health insurance under this Agreement shall be credited against Executive’s period of COBRA coverage, if any. Executive shall promptly notify Employer if, prior to the expiration of the maximum period of COBRA coverage, Executive becomes eligible for coverage under another group health plan with no pre-existing condition limitation or exclusion or Executive becomes entitled to benefits under Medicare.

(v) Definitions. For the purposes of this Section 9(f), the term “Constructive Termination” shall have the same meaning as such term is defined in Section 9(e) with the following modifications:

(A) A Constructive Termination shall be deemed to have occurred if after a Change in Control, the Executive’s Adjusted Total Compensation is reduced to less than (1) 100% of the Adjusted Total Compensation of Executive for the twelve-month period ending as of the last day of the month immediately preceding the month in which the Constructive Termination occurs or (2) 100% percent of the Executive’s Adjusted Total Compensation for the twelve-month period ending as of the last day of the month preceding the

Effective Date, whichever is greater.

(B) A Constructive Termination shall also be deemed to have occurred if after a Change in Control, Employer (or the successor thereto) delivers written notice to Executive that it will continue to employ Executive but will reject this Agreement (other than due to the expiration of the Term of this Agreement).

(C) Subsection 9(e)(v)(B) shall not be applicable to a Constructive Termination following a Change in Control.

(g) Voluntary Termination. Executive may voluntarily terminate employment during the Term of this Agreement by a delivery to Employer of a written notice at least 60 days in advance of the termination date. If Executive voluntarily terminates employment prior to the expiration of the Term of this Agreement, any and all of the Employer's obligations under this Agreement shall terminate immediately except for the Employer's obligations contained in Section 9(a) hereof. Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect.

(h) Termination For Cause. If Executive is terminated for Cause as determined by the written resolution of Employer's Board of Directors or the Compensation Committee or any successor committee of Employer's Board of Directors, all obligations of the Employer shall terminate immediately except for Employer's obligations described in Section 9(a) hereof. Notwithstanding the foregoing, termination of employment shall not affect the obligations of Executive that, pursuant to the express provisions of this Agreement, continue in effect. For purposes of this Agreement, termination for "Cause" means:

(i) Executive's failure or refusal, after written notice thereof and after reasonable opportunity to cure, to perform specific directives approved by a majority of the Employer's or Wintrust's Board of Directors which are consistent with the scope and nature of Executive's duties and responsibilities as provided in Section 1 of this Agreement;

(ii) Habitual drunkenness or illegal use of drugs which interferes with the performance of Executive's duties and obligations under this Agreement;

(iii) Executive's conviction of a felony;

(iv) Any defalcation or acts of gross or willful misconduct of Executive resulting in or potentially resulting in economic loss to Employer or Wintrust or substantial damage to Employer's or Wintrust's reputation;

(v) Any breach of Executive's covenants contained in Sections 4 through 6 hereof;

(vi) A written order requiring termination of Executive from Executive's position with Employer by any regulatory agency or body; or

(vii) Executive's engagement, during the performance of Executive's duties hereunder, in acts or omissions constituting fraud, intentional breach of fiduciary obligation, intentional wrongdoing or malfeasance, or intentional and material violation of applicable banking laws, rules, or regulations.

(i) Executive's right to receive Severance Pay per Sections 9(c) through 9(f) hereof is contingent upon (i) Executive having executed and delivered to Employer a release in such form as provided by Employer and (ii) Executive not violating any of Executive's on-going obligations under this Agreement.

(j) The payment of Severance Pay to Executive pursuant to Sections 9(c) through 9(f) hereof shall be liquidated damages for and in full satisfaction of any and all claims Executive may have relating to or arising out of Executive's employment and termination of employment by Employer, any and all claims Executive may have relating to or arising out of this Agreement and the termination thereof and any and all claims Executive may have arising under any statute, ordinance or regulation or under common law. Executive expressly acknowledges and agrees that, except for whatever claim Executive may have to Severance Pay, Executive shall not have any claim for damages or other relief of any sort relating to or arising out of Executive's employment or termination of employment by Employer or relating to or arising out of this Agreement and the termination thereof.

(k) Upon termination of employment with Employer for any reason, Executive shall promptly deliver to Employer all writings, records, data, memoranda, contracts, orders, sales literature, price lists, client lists, data processing materials, and other documents, whether or not obtained from Employer, Wintrust or any Affiliate, which pertain to or were used by Executive in connection with Executive's employment by Employer or which pertain to Wintrust or any other Affiliate, including, but not limited to, Confidential Information, as well as any automobiles, computers or other equipment which were purchased or leased by Employer for Executive.

10. Resolution of Disputes. Except as otherwise provided herein, any disputes arising under or in connection with this Agreement or in any way arising out of, relating to or associated with the Executive's employment with Employer or the termination of such employment ("Claims"), that Executive may have against Employer, Wintrust or any Affiliate of Wintrust, or the officers, directors, employees or agents of Employer, Wintrust, or any Affiliate of Wintrust in their capacity as such or otherwise, or that Employer, Wintrust, or any Affiliate of Wintrust may have against Executive, shall be resolved by binding arbitration, to be held in Chicago, Illinois, in accordance with the rules and procedures of the National Rules for the Resolution of Employment Disputes of the American Arbitration Association (the "AAA") and the parties hereby agree to expedite such arbitration proceedings to the extent permitted by the AAA. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. The Claims covered by this Agreement include, but are not limited to: claims for wages or other compensation due; claims for breach of any contract or covenant, express or implied; tort claims; claims for discrimination, including but not limited to discrimination based on race, sex, sexual orientation, religion, national origin, age, marital status, handicap, disability or medical condition or harassment on any of the foregoing bases; claims for

benefits, except as excluded in the following paragraph; and claims for violation of any federal, state or other governmental constitution, statute, ordinance, regulation, or public policy. The Claims covered by this Agreement do not include claims for workers' compensation benefits or compensation; claims for unemployment compensation benefits; claims based upon an employee pension or benefit plan, the terms of which contain an arbitration or other non-judicial resolution procedure, in which case the provisions of such plan shall apply; and claims made by either Employer or the Executive for injunctive and/or other equitable relief regarding the covenants set forth in Sections 3, 4, 5 and 6 of this Agreement. Each party shall initially bear their own costs of the arbitration or litigation, except that, if Employer is found to have violated any material terms of this Agreement, Employer shall reimburse Executive for the entire amount of reasonable attorneys' fees incurred by Executive as a result of the dispute hereunder in addition to the payment of any damages awarded to Executive.

11. General Provisions.

(a) All provisions of this Agreement are intended to be interpreted and construed in a manner to make such provisions valid, legal, and enforceable. To the extent that any Section of this Agreement or any word, phrase, clause, or sentence hereof shall be deemed by any court to be illegal or unenforceable, such word, clause, phrase, sentence, or Section shall be deemed modified, restricted, or omitted to the extent necessary to make this Agreement enforceable. Without limiting the generality of the foregoing, if the scope of any covenant in this Agreement is too broad to permit enforcement to its full extent, such covenant shall be enforced to the maximum extent provided by law; and Executive agrees that such scope may be judicially modified accordingly.

(b) This Agreement may be assigned by Employer. This Agreement and the covenants set forth herein shall inure to the benefit of and shall be binding upon the successors and assigns of Employer and Wintrust.

(c) This Agreement may not be assigned by Executive, but shall be binding upon Executive's executors, administrators, heirs, and legal representatives.

(d) No waiver by either party of any breach by the other party of any of the obligations, covenants, or representations under this Agreement shall constitute a waiver of any prior or subsequent breach.

(e) Where in this Agreement the masculine gender is used, it shall include the feminine if the sense so requires.

(f) Employer may withhold from any payment that it is required to make under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state, or local law.

(g) This instrument constitutes the entire agreement of the parties with respect to its subject matter. This Agreement may not be changed or amended orally but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change,

modification, extension, or discharge is sought. Any other understandings and agreements, oral or written, respecting the subject matter hereof are hereby superseded and canceled.

(h) The provisions of Sections 4, 5, 6, 7, 9(i), 9(j), 10, 11, and 12 of this Agreement shall survive the termination of Executive's employment with Employer and the expiration or termination of this Agreement.

12. Governing Law. The parties agree that this Agreement shall be construed and governed by the laws of the State of Illinois, excepting its conflict of laws principles. Further, the parties acknowledge and specifically agree to the jurisdiction of the courts of the State of Illinois in the event of any dispute regarding Sections 3, 4, 5, or 6 of this Agreement.

13. Notice of Termination. Subject to the provisions of Section 8, in the event that Employer desires to terminate the employment of the Executive during the Term of this Agreement, Employer shall deliver to Executive a written notice of termination, stating whether the termination constitutes a termination in accordance with Section 9(c), 9(d), 9(e), 9(f), or 9(h). In the event that Executive determines in good faith that Executive has experienced a Constructive Termination, Executive shall deliver to Employer a written notice stating the circumstances that constitute such Constructive Termination. In the event that the Executive desires to effect a voluntary termination of Executive's employment in accordance with Section 9(g), Executive shall deliver a written notice of such voluntary termination to Employer.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date written opposite their signatures.

**WINTRUST FINANCIAL CORPORATION**

By: \_\_\_\_\_  
Edward J. Wehmer  
Its: President and Chief Executive Officer

\_\_\_\_\_ Executive

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

## EXHIBIT A

Advantage National Bank  
Barrington Bank & Trust Company, N.A.  
Beverly Bank & Trust Company, N.A.  
Crystal Lake Bank & Trust Company, N.A.  
First Insurance Funding Corporation  
Focused Investments LLC  
Hinsdale Bank & Trust Company  
Lake Forest Bank & Trust Company  
Libertyville Bank & Trust Company  
North Shore Community Bank & Trust Company  
Northbrook Bank & Trust Company  
Town Bank (Wisconsin)  
Tricom, Inc. of Milwaukee  
Village Bank & Trust-Arlington Heights  
Wayne Hummer Asset Management Company  
Wayne Hummer Investments, LLC  
Wayne Hummer Trust Company, N.A.  
Wheaton Bank & Trust Company  
Wintrust Information Technology Services Company

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**EXHIBIT B**



WINTRUST FINANCIAL CORPORATION

NONQUALIFIED STOCK OPTION AGREEMENT

This Nonqualified Stock Option Agreement (“Agreement”) is entered into as of [Date of Award], between Wintrust Financial Corporation (hereinafter called the “Company”) and [Name] (hereinafter called “Key Employee”).

WHEREAS, the Wintrust Financial Corporation 1997 Stock Incentive Plan (the “Plan”) was adopted by the Board of Directors of Wintrust Financial Corporation and such Plan was and the Company desires to provide the Key Employee with an opportunity to acquire an equity interest in the business of the Company, and through stock ownership an increased personal interest in its continued success and progress.

NOW, THEREFORE, in consideration of the premises, the mutual covenants hereinafter set forth and other good and valuable consideration, the Company and Key Employee agree as follows:

1. The Company hereby grants to Key Employee the option (“Option”) to purchase an aggregate of [Shares] of the Company’s Common Shares, no par value, on the terms and conditions hereinafter set forth at the purchase price of [Strike Price] per share. The number of shares and the price per share are subject to adjustment as provided in the Plan.

2. It is understood that this Agreement is subject to the terms of the Plan, to which reference is hereby made for more detailed description of the terms to which the option is subject and by which reference the Plan is incorporated herein. The Plan shall control in the event there is any conflict between the Plan and this Agreement and on such matters as are not contained in this Agreement.

3. (a) The Key Employee’s Option will vest and become exercisable as follows:

[Vesting Date 1]	Vesting %
[Vesting Date 2]	Vesting %
[Vesting Date 3]	Vesting %
[Vesting Date 4]	Vesting %
[Vesting Date 5]	Vesting %

To the extent not exercised, installments shall be cumulative and may be exercised in whole or in part.



[Name]  
Nonqualified Stock Option Agreement  
Dated:

(b) The Option may not be exercised at any one time for less than 500 shares or the number of shares then purchasable under the Option, whichever is less.

(c) Unless otherwise permitted by the Committee under the terms of the Plan, during the lifetime of Key Employee the Option may be exercised only by him.

(d) In the event of a Change in Control of the Company, as defined in the Plan, all awards still then outstanding shall vest 100%, whereupon all Options shall become exercisable in full.

(e) Unless earlier terminated hereunder or under the Plan, the Option shall expire on [Expiration Date].

4. The Option shall not be subject to execution, collateral assignment, attachment or similar process, unless otherwise permitted by the Committee under the terms of the Plan. Any such attempted action or other disposition of the Option contrary to the provisions of the Plan shall be null and void, and in such event the Company shall have the right to terminate the Option. Such termination shall not prejudice any rights or remedies which the Company or a subsidiary corporation may have under this Agreement or otherwise.

5. Subject to the terms and conditions of this Agreement, the Option shall be exercisable by delivery of written notice of exercise accompanied by payment of the exercise price and any applicable tax withholding in cash, shares of common stock, or a combination thereof as provided in the Plan.

6. Key Employee shall not be deemed for any purpose to be a shareholder of the Company with respect to any of the optioned shares except to the extent that this Option shall have been exercised with respect thereto and a stock certificate issued therefore. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

#### 7. Termination of Employment.

(a) Termination of Employment by Reason of Death. In the event the employment of a Key Employee is terminated by reason of death, any Option that has not been exercised, including any unvested portions, shall become immediately exercisable at any time prior to the expiration date of the Options or within one year after such date of termination of employment, whichever period is shorter, by such person or persons as shall have acquired the Key Employee's rights under the Option by will or by the laws of descent and distribution.

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[Name]  
Nonqualified Stock Option Agreement  
Dated:

(b) Termination of Employment by Reason of Disability. In the event the employment of Key Employee is terminated by reason of Disability, any Option that has not been exercised, including any unvested portions, shall become immediately exercisable at any time prior to the expiration date of the Options or within one year after such date of termination of employment, whichever period is shorter. For purposes of this Agreement, Disability means a permanent and total disability as determined by the Committee in good faith, upon receipt of sufficient competent medical advice.

(c) Termination of Employment by Reason of Retirement. In the event the employment of a Key Employee is terminated by reason of retirement (as determined by the Committee), the Option to the extent then vested shall remain exercisable until the expiration date of the Options or within one year after such date of termination, whichever period is shorter, whereupon such vested portion shall expire and the unvested portion, unless extended by the Committee, shall expire upon termination of employment.

(d) Termination of Employment for Other Reasons. If the employment of the Key Employee shall terminate for any reason other than death, Disability, retirement, or for Cause, the Option to the extent then vested shall remain exercisable until the expiration date of the Options or three months after such date of termination, whichever period is shorter, whereupon such vested portion shall expire and the unvested portion shall expire upon termination of employment.

(e) Termination of Employment for Cause. If the employment of the Key Employee shall be terminated for Cause, this Option shall expire, and the Key Employee's rights hereunder shall be immediately terminated, upon termination of employment. For purposes of this Agreement, "Cause" shall mean the following:

- (i) misappropriation of any funds or property of the Company or its subsidiaries; or
- (ii) attempting to obtain any personal profit from any transaction in which the Key Employee has a personal financial interest, unless the Key Employee shall have first obtained the consent of the Board of Directors; or
- (iii) material neglect or refusal to perform the duties reasonably assigned to the Key Employee given the Key Employee's current job description; or
- (iv) participating in a course of conduct which is injurious to the Company or its subsidiaries, as interpreted by the Board of Directors; or
- (v) being convicted of a felony; or  
(vi) being adjudicated a bankrupt; or
- (vii) suspension due to the direction of any authorized bank regulatory agency.

To the extent that there is a dispute arising over the application of the definition of Cause, the Committee or the Board of Directors of the Company shall have the authority to interpret and apply such definitions in a reasonable manner.

8. Each notice relating to this Agreement shall be in writing and delivered in person or by registered mail to the Company at its office, 727 North Bank Lane, Lake Forest, Illinois

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[Name]  
Nonqualified Stock Option Agreement  
Dated:

60045, attention of the President, or at such other address designated by the Company. All notices to Key Employee or other person or persons then entitled to exercise the Option shall be delivered to Key Employee or such other person or persons at Key Employee's address as it then appears on the Company's records.

9. Any dispute or disagreement which shall arise under, as a result of, or in any way shall relate to the interpretation or construction of this Agreement shall be determined by the Committee or by the Board of Directors of the Company (or any successor corporation), and any such determination shall be final, binding and conclusive for all purposes.

10. This agreement shall be governed by laws of the State of Illinois and shall inure to the benefit of and be binding upon the Company and its successors and assigns and Key Employee and Key Employee's heirs, executors, administrators and successors.

Wintrust Financial Corporation by:

\_\_\_\_\_  
Edward J. Wehmer, President

\_\_\_\_\_  
Date

Key Employee:

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
Date

Attest  
\_\_\_\_\_  
David A. Dykstra

\_\_\_\_\_  
Date



**WINTRUST FINANCIAL CORPORATION  
RESTRICTED STOCK UNIT AWARD AGREEMENT**

This Restricted Stock Unit Award Agreement (herein called the “Agreement”) is made and entered into as of January 25, 2005, by and between Wintrust Financial Corporation, an Illinois corporation (the “Company”), and [Name] (“Employee”). The Restricted Stock Unit Award (as defined below) is governed by this Agreement and, subject to Paragraph 13(b), below, the Wintrust Financial Corporation Stock Incentive Plan (the “Plan”). Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

1. Award of Restricted Stock Unit Award. In order to encourage Employee’s contribution to the successful performance of the Company, and in consideration of the covenants and promises of Employee herein contained, the Company hereby awards to Employee as of the date first written above (the “Date of Grant”), pursuant to the terms of the Plan, a Restricted Stock Unit Award representing the right to acquire [Number of Share Units] shares of Common Stock, subject to the conditions, restrictions and limitations set forth below and in the Plan (the “Restricted Stock Unit Award”). Employee hereby acknowledges and accepts such grant and agrees to acquire the Restricted Stock Unit Award and the shares of Common Stock covered thereby upon such terms and subject to such conditions, restrictions and limitations, subject to Paragraph 13(b), below.

2. Vesting

(a) Subject to the termination of the Restricted Stock Unit Award pursuant to Paragraph 3 below, or the acceleration of the vesting of the Units covered pursuant to Paragraphs 2(b) and 2(c), below, on [Vesting Date] (the “Vesting Date”), Employee shall become fully vested in the total number of Units covered by the Restricted Stock Unit Award, and such Units shall become Vested Units (as hereinafter defined).

(b) In all events, Employee shall become vested in all Units not yet vested under this Agreement, and such Units shall become Vested Units, no later than the earliest of (i) [Vesting Date], (ii) the date of termination upon Employee’s Disability (as hereinafter defined), death, retirement or termination of Employee’s employment by Company without Cause (as hereinafter defined) or by Employee for Good Reason (as hereinafter defined) or (iii) upon the occurrence of a Change in Control (as defined in the Plan as in effect as of the date of this Agreement).

(c) Notwithstanding the provisions of Paragraphs 2(a) and 2(b), above, and Paragraph 3, below, Employee shall become vested in any or all Units covered by the Restricted Stock Unit Award at an earlier date than provided in Paragraphs 2(a) and 2(b), above, and Paragraph 3, below, if the Committee expressly so determines, in its sole discretion.

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3. Effect of Certain Events . If Employee's employment with the Company is terminated by the Company for Cause or by Employee without Good Reason prior to the first date upon which all shares covered by the Restricted Stock Unit Award shall have become Vested Units pursuant to Paragraph 2 above, then the Restricted Stock Unit Award and Employee's right to receive shares hereunder (other than as to Units which are Vested Units at the date of termination) shall terminate, without any payment of consideration by the Company to Employee, unless expressly determined otherwise by the Committee, in its sole discretion.

4. Restrictions on Transfer . The Restricted Stock Unit Award granted hereunder to Employee may not be sold, assigned, transferred, pledged or otherwise encumbered, whether voluntarily or involuntarily, by operation of law or otherwise. No right or benefit under this Agreement shall be subject to transfer, anticipation, alienation, sale, assignment, pledge, encumbrance or charge, whether voluntary, involuntary, by operation of law or otherwise, and any attempt to transfer, anticipate, alienate, sell, assign, pledge, encumber or charge the same shall be void.

5. Delivery of Shares .

(a) Not more than forty (40) days after the Vesting Date, the Company shall deliver to Employee one (1) share of Common Stock for each Unit which became a Vested Unit on the Vesting Date.

(b) Within forty (40) days after the Units shall become Vested Units pursuant to Paragraph 2(b)(ii) or (iii) above, the Company shall deliver to Employee one (1) share of Common Stock for each Unit covered by the Restricted Stock Unit Award which has become a Vested Unit but only with respect to which a share of Common Stock has not yet been delivered.

6. Withholding Tax Requirements . Prior to the date on which shares of Common Stock are to be delivered pursuant to Paragraph 5, above, the Company shall deliver to Employee a notice specifying such amounts as Employee is required to pay to satisfy applicable tax withholding requirements. In the event that the Company does not exercise its right to withhold shares of stock at the time of vesting to cover such tax withholding requirements as provided in the Plan, Employee hereby agrees that Employee shall either: (i) deliver to the Company by the due date specified in such notice a check equal to the amount set forth in such notice, or (ii) make other appropriate arrangements acceptable to or required by the Company to satisfy such tax withholding requirements. Failure by Employee to comply with the foregoing shall entitle the Committee, in its sole discretion, to authorize the sale of a sufficient number of shares of Common Stock owned by Employee in order to satisfy such withholding requirements. Upon the payment of any dividend equivalents payable pursuant to Paragraph 10 hereof, Employee agrees that the Company shall be entitled to deduct therefrom such amounts as are necessary to satisfy applicable tax withholding requirements.

7. Sale and Issuance of Common Stock . Employee agrees that Employee shall not sell Award Shares, and that the Company shall not be obligated to deliver any shares of Common Stock if counsel to the Company reasonably determines that such sale or delivery would violate any applicable law, rule or regulation of any governmental authority or any applicable rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Stock is listed or quoted. In the event of any such restriction (other than one due to insider trading issues), the Company shall take all such action as may be necessary or appropriate to eliminate such restriction at the earliest practicable date. All Award Shares, when issued, shall be duly authorized and shall be (a) validly issued, fully paid and non-assessable, (b) registered for sale, and for resale, by Employee under Federal and State securities laws and shall remain registered so long as the shares may not be freely sold in the absence of such registration and (c) listed, or otherwise qualified, for trading in the United States on each national securities exchange or national securities market system on which the Common Stock is listed or qualified.

8. Limitation of Rights . Nothing contained in this Agreement or the Plan, and no action of the Company with respect hereto, shall confer or be construed to confer on Employee any right to continue in the employment or service of the Company, or affect the right of the Company to terminate the employment or service of Employee at any time for any reason.

9. Prerequisites to Benefits . Neither Employee nor any person claiming through Employee shall have any right or interest in the Units awarded hereunder, unless and until all of the terms, conditions and provisions of this Agreement and the Plan, as amended hereby, which affect Employee or such other person shall have been complied with as specified herein.

10. No Rights as a Stockholder Prior to Delivery, Payment of Dividend Equivalents; Adjustment . Employee shall not have any right, title or interest in, or be entitled to vote or receive distributions in respect of, or otherwise be considered the owner of, any of the shares of Common Stock covered by the Restricted Stock Unit Award, except to the extent that such shares are Award Shares. Notwithstanding the foregoing, upon the Units becoming Vested Units pursuant to Paragraph 2, above, Employee shall be entitled to receive a cash payment in an amount equal to each cash dividend the Company would have paid to Employee during the term of the Units as if Employee had been the owner of record of the shares of Common Stock covered by such Units on the record date for the payment of such dividend. The Restricted Stock Unit Award shall be subject to adjustment (including, without limitation, as to the number of shares of Common Stock covered by the Award) pursuant to Section 10 of the Plan in connection with the occurrence of any of the events described in Section 10 of the Plan following the Date of Grant.

11. Company Representations . The Company represents and warrants that (a) it is fully authorized by its Board or the Committee (and of any person or body whose action is required) to enter into this Agreement and to perform its obligations under it, (b) the execution, delivery and performance of this Agreement by the Company does not violate any applicable law, regulation, order, judgment or decree or any agreement, plan or corporate governance document of the Company or any agreement among holders of its shares and (c) upon the

execution and delivery of this Agreement by the Company and Employee, this Agreement shall be the valid and binding obligation of the Company, enforceable in accordance with its terms, except to the extent enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

12. Certain Definitions. For purposes of this Agreement, the following additional definitions shall be applicable:

"Award Shares" shall mean shares of Common Stock covered by the Restricted Stock Unit Award which have been delivered pursuant to Paragraph 5, above.

"Cause" shall have the following meaning

- (i) misappropriation of any funds or property of the Company or its subsidiaries; or
- (ii) attempting to obtain any personal profit from any transaction in which the Employee has a personal financial interest, unless the Employee shall have first obtained the consent of the Board of Directors; or
- (iii) material neglect or refusal to perform the duties reasonably assigned to the Employee given the Employee's current job description; or
- (iv) participating in a course of conduct which is injurious to the Company or its subsidiaries, as interpreted by the Board of Directors; or
- (v) being convicted of a felony; or
- (vi) being adjudicated a bankrupt; or
- (vii) suspension due to the direction of any authorized bank regulatory agency.

To the extent that there is a dispute arising over the application of the definition of Cause, the Committee or the Board of Directors of the Company shall have the authority to interpret and apply such definitions in a reasonable manner.

"Committee" shall mean the Compensation and Nominating Committee of the Wintrust Financial Corporation Board of Directors.

"Good Reason" shall have the following meaning:

(i) a material reduction by Employer in the duties and responsibilities of Employee or (ii) a reduction by Employer of Employee's "Adjusted Total Compensation" (as hereinafter defined), to (y) less than seventy-five percent (75%) of the Adjusted Total Compensation of Employee for the twelve month period ending as of the last day of the month immediately preceding the month in which the Termination for Good Reason occurs; or (z) less than seventy-five percent (75%) of the Employee's Adjusted Total Compensation for the twelve month period ending as of the last day of the month preceding the Effective Date, whichever is greater.

- (A) For the purposes of this Agreement, "Adjusted Total Compensation" means the aggregate base salary earned by the Employee plus the dollar value of all perquisites (i.e. Employer provided car, club dues and supplemental life insurance) as estimated by Employer in respect of the Employee for the relevant twelve month period. Adjusted Total Compensation shall exclude any bonus payments paid or earned by the Employee.
- (B) For the purposes of this Agreement, the Employee will not be deemed to have incurred a Termination for Good Reason if there is a general reduction in base salaries and/or perquisites applicable to the President, Chief Executive Officer and all Vice Presidents of Employer.

"Disability" shall mean a permanent and total disability as determined by the Committee in good faith, upon receipt of sufficient competent medical advice.

A "Unit" covered by the Restricted Stock Unit Award shall mean the right to receive, pursuant to the terms of this Agreement, a share of Common Stock, and any other amount or property payable with respect thereto, covered by the Restricted Stock Unit Award.

"Vested Units" shall mean units corresponding to shares of Common Stock covered by the Restricted Stock Unit Award which at the time in question have become Vested Units pursuant to Paragraph 2 hereof.

13. Miscellaneous Provisions. For purposes of this Agreement, the following miscellaneous provisions shall be applicable:

(a) Receipt and Review of Plan. Employee acknowledges receipt of a copy of the Plan. Employee further acknowledges notice of the terms, conditions, restrictions and limitations contained in the Plan, and acknowledges the restrictions set forth in this Agreement.

(b) Conflicts. The Company and Employee agree to be bound by all of the terms, conditions, restrictions and limitations of the Plan, as amended and modified by this Agreement. The Company and Employee agree that the Plan may be amended from time to time in accordance with the terms thereof, but no such amendment shall, without Employee's consent, adversely affect the rights specifically granted Employee hereunder or under the Plan. In the event there is a conflict between the Plan and the terms and conditions in this Agreement, this Agreement shall govern unless the terms and conditions of the Plan are more favorable to Employee. If such terms and conditions are more favorable to Employee, then the Company and Employee agree that this Agreement is amended to the extent necessary to enable Employee to gain the benefit of the more favorable terms and conditions of the Plan.

(c) Successors .

(i) This Agreement is personal to Employee and, except at otherwise provided in Paragraph 4 above, shall not be assignable by Employee otherwise than by will or the laws of descent and distribution, without the written consent of the Company. This Agreement shall inure to the benefit of and be enforceable by Employee's legal representatives.

(ii) This Agreement shall inure to the benefit of and be binding upon Company and its successors. It shall not be assignable except in connection with the sale or other disposition of all or substantially all the assets or business of the Company.

(d) Notices . Each notice relating to this Agreement shall be in writing and delivered in person or by registered mail to the Company at its office, 727 North Bank Lane, Lake Forest, Illinois 60045, attention of the President, or at such other address designated by the Company. All notices to Employee or successors shall be delivered to Employee or successors at Employee's address as it then appears on the Company's records.

(e) Severability . If any provision of this Agreement for any reason should be found by any court of competent jurisdiction to be invalid, illegal or unenforceable, in whole or in part, such declaration shall not affect the validity, legality or enforceability of any remaining provision or portion thereof, which remaining provision or portion thereof shall remain in full force and effect as if this Agreement had been adopted with the invalid, illegal or unenforceable provision or portion thereof eliminated.

(f) Headings . The headings, captions and arrangements utilized in this Agreement shall not be construed to limit or modify the terms or meaning of this Agreement.

(g) Equitable Relief . Any dispute or disagreement which shall arise under, as a result of, or in any way shall relate to the interpretation or construction of this Agreement shall be determined by the Committee or by the Board of Directors of the Company (or any successor corporation), and any such determination shall be final, binding and conclusive for all purposes.

(h) Governing Law; Jurisdiction . This Agreement shall be governed by and construed and enforced in accordance with the laws of the state of Illinois without reference to conflict of laws principles. Subject to Paragraph 13(g), above, any action, suit or proceeding arising out of any claim against the Company pursuant to this Agreement shall be brought exclusively in the federal or state courts located in the state in which the Company has its principal business headquarters.

(i) Determinations by Committee . All references in this Agreement to determinations to be made by the Committee shall be deemed to include determinations by any person or persons to whom the Committee may delegate such authority in accordance with the rules adopted thereby.

Restricted Stock Unit Award Agreement  
Dated January 25, 2005

(j) Entire Agreement; Amendment or Waiver. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and may be amended, modified or changed only by a written instrument executed by Employee and the Company. No provision of this Agreement may be waived except by a writing executed and delivered by the party sought to be charged. Any such written waiver will be effective only with respect to the event or circumstance described therein and not with respect to any other event or circumstance, unless such waiver expressly provides to the contrary.

(k) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. Signatures delivered by facsimile shall be effective for all purposes.

IN WITNESS WHEREOF, this Agreement has been executed as of the date first above written by an officer of the Company and by Employee.

EMPLOYEE:

\_\_\_\_\_  
[Name]

WINTRUST FINANCIAL CORPORATION:

\_\_\_\_\_  
Edward J. Wehmer  
President and Chief Executive Officer

ATTEST:

\_\_\_\_\_  
David A. Dykstra



**Wintrust Financial Corporation**  
**Form 10-K, Exhibit 12.1**

Computation of Ratio of Earnings to Fixed Charges

The following table presents the calculation of the ratio of earnings to fixed charges for the last five years.

*(dollars in thousands)*

		Years ended December 31,				
		2004	2003	2002	2001	2000
Income before income taxes	A	\$ 80,887	\$ 59,344	\$ 42,495	\$ 29,129	\$ 16,448
Interest expense:						
Interest on deposits		\$ 83,135	\$ 67,963	\$ 70,061	\$ 83,503	\$ 78,670
Interest on other borrowings	C	20,787	15,536	14,044	8,938	8,514
Total interest expense	B	\$103,922	\$ 83,499	\$ 84,105	\$ 92,441	\$ 87,184
Ratio of earnings to fixed charges:						
Including deposit interest	(A+B) / B	1.78x	1.71x	1.51x	1.32x	1.19x
Excluding deposit interest	(A+C) / C	4.89x	4.82x	4.03x	4.26x	2.93x



## 2004 Highlights—Another Very Busy And Growing Year

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### Wintrust Financial Corporation

- Increased earnings 35%
- Fully diluted earnings per share up 18%
- Grew net revenue 26%
- Net interest income up 31%
- Total assets increased 35%
- Total deposits grew 32%
- Increased total loans 32%
- Total equity up 35%
- Number of bank charters expanded to 12 and total subsidiaries to 22
- Successfully completed the acquisition of
  - WestAmerica Mortgage Company/Guardian Real Estate Services, Inc.
  - Northview Bank & Trust/Northview Mortgage, LLC
  - Town Bank of Delafield
- Two acquisitions to close in 2005
  - State Bank of The Lakes (closed in January 2005)
  - First Northwest Bank (expected to close by early 2nd quarter 2005)
- Added 14 new banking facilities in Illinois and Wisconsin
- Book value per common share grew 25%
- Dividends paid per share increased 25%
- Market price per common share grew 26%
- Return on average equity declined to 13.12%
- Return on average assets improved to 0.94%

#### Who Is Wintrust?

For those of you new to our family, here is a brief description of who we are and what we do:

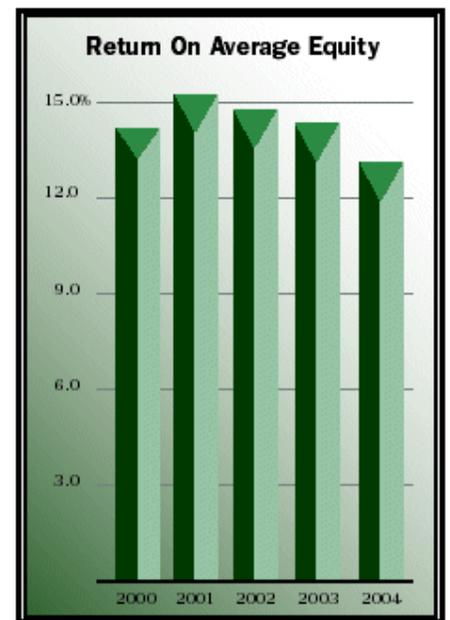
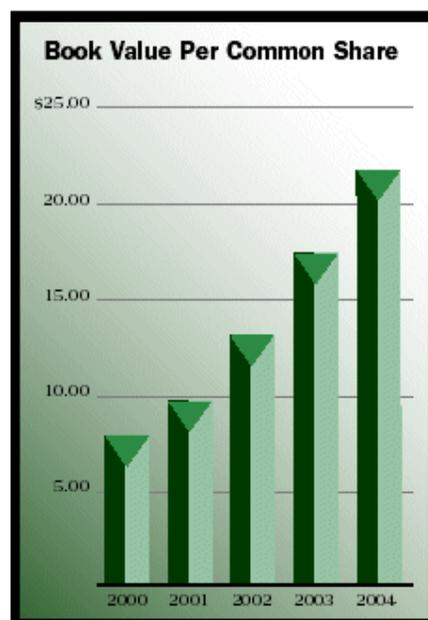
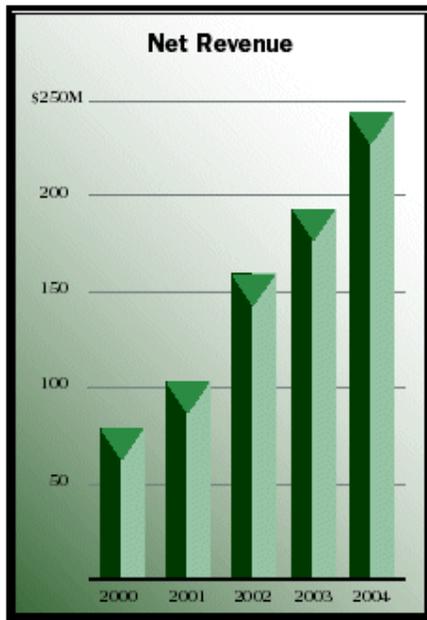
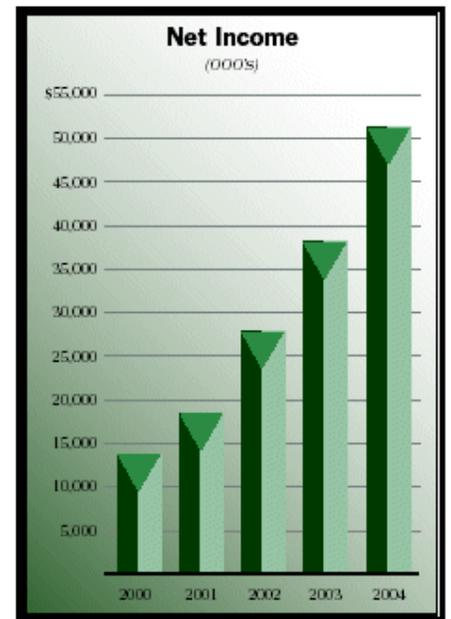
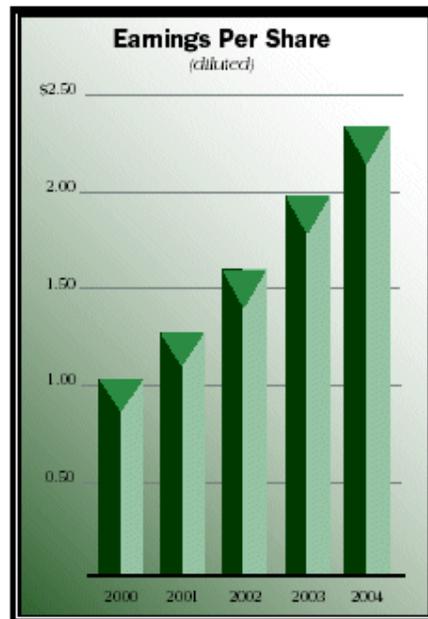
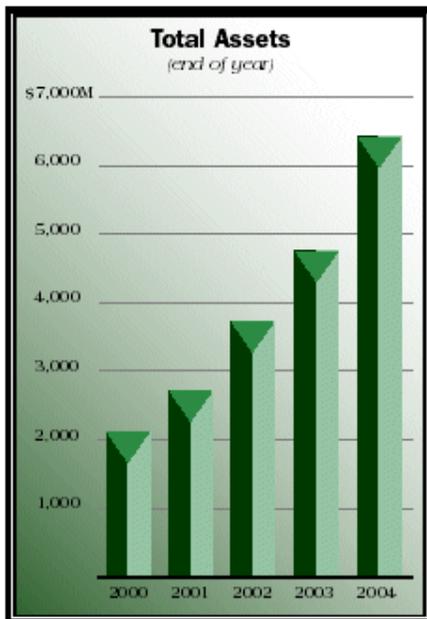
Wintrust Financial Corporation is a financial holding company headquartered in Lake Forest, Illinois, with total assets of \$6.4 billion as of December 31, 2004. At the end of 2004, Wintrust operated 12 community banks located in the greater Chicago and southern Wisconsin areas. Of our 12 banking charters, eight were *de novo* banks started by Wintrust and four have been acquisitions of *de novo* banks. With the addition of State Bank of The Lakes, our bank charters now total 13 and provide community-oriented, personal and commercial banking services through 55 banking facilities. We provide wealth management services, including trust, asset management and brokerage capabilities, to clients primarily located in the Midwest. We originate and purchase residential mortgage loans, many of which are sold into the secondary market. And we are involved in specialty lending through operating subsidiaries or divisions of the Company's banks. Our specialty lending niches include commercial insurance premium finance, accounts receivable financing and administrative services to the temporary staffing industry, condominium association lending, aircraft lending and indirect auto lending.

*We have always had a policy of presenting our goals, objectives and financial results in an up front manner to our shareholders. In this annual report, we are confirming our policy of reporting thoroughly the financial results, accounting policies and objectives of Wintrust Financial Corporation and our operating subsidiaries. We hope you enjoy the report.*

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Selected Financial Trends



## Selected Financial Highlights

	Years Ended December 31				
	2004	2003	2002	2001	2000
<i>(dollars in thousands, except per share data)</i>					
<b>Selected Financial Condition Data (at end of year):</b>					
Total assets	\$ 6,419,048	\$ 4,747,398	\$ 3,721,555	\$ 2,705,422	\$ 2,102,806
Total loans	4,348,346	3,297,794	2,556,086	2,018,479	1,547,596
Total deposits	5,104,734	3,876,621	3,089,124	2,314,636	1,826,576
Notes payable	1,000	26,000	44,025	46,575	27,575
Federal Home Loan Bank advances	303,501	144,026	140,000	90,000	—
Subordinated notes	50,000	50,000	25,000	—	—
Long term debt — trust preferred securities	204,489	96,811	50,894	51,050	51,050
Total shareholders' equity	473,912	349,837	227,002	141,278	102,276
<b>Selected Statements of Operations Data:</b>					
Net interest income	\$ 157,824	\$ 120,492	\$ 98,128	\$ 74,014	\$ 61,000
Net revenue	243,276	193,084	158,800	102,812	79,306
Net income	51,334	38,118	27,875	18,439	11,155
Net income per common share — Basic	2.49	2.11	1.71	1.34	0.85
Net income per common share — Diluted	2.34	1.98	1.60	1.27	0.83
Cash dividends declared per common share	0.20	0.16	0.12	0.093	0.067
<b>Selected Financial Ratios and Other Data:</b>					
<i>Performance Ratios:</i>					
Net interest margin	3.17%	3.20%	3.34%	3.49%	3.66%
Core net interest margin <sup>(1)</sup>	3.31	3.32	3.51	3.73	3.91
Non-interest income to average assets	1.57	1.76	1.89	1.24	0.99
Non-interest expense to average assets	2.86	2.98	3.30	2.83	3.12
Net overhead ratio <sup>(2)</sup>	1.30	1.22	1.41	1.59	2.13
Efficiency ratio <sup>(3)</sup>	64.45	63.52	66.41	63.66	72.33
Return on average assets	0.94	0.93	0.87	0.79	0.60
Return on average equity	13.12	14.36	14.76	15.24	11.51
Average total assets	\$ 5,451,527	\$ 4,116,618	\$ 3,212,467	\$ 2,328,032	\$ 1,853,582
Average total shareholders' equity	391,335	265,495	188,849	120,995	96,918
Ending loan-to-deposit ratio	85.2%	85.1%	82.7%	87.2%	84.7%
Average loans to average deposits ratio	87.7	86.4	88.5	87.4	87.7
Average interest earning assets to average interest bearing liabilities	109.89	109.68	109.86	109.35	107.24
<i>Asset Quality Ratios:</i>					
Non-performing loans to total loans	0.43%	0.72%	0.49%	0.64%	0.63%
Non-performing assets to total assets	0.29	0.51	0.34	0.48	0.46
Allowance for loan losses to:					
Total loans	0.79	0.77	0.72	0.68	0.67
Non-performing loans	184.13	107.59	146.63	105.63	107.75
<i>Common Share Data at end of year:</i>					
Market price per common share	\$ 56.96	\$ 45.10	\$ 31.32	\$ 20.38	\$ 10.63
Book value per common share	\$ 21.81	\$ 17.43	\$ 13.19	\$ 9.72	\$ 7.92
Common shares outstanding	21,728,548	20,066,265	17,216,270	14,531,665	12,921,592
<i>Other Data at end of year:</i>					
Number of:					
Bank subsidiaries	12	9	7	7	7
Non-bank subsidiaries	10	7	7	3	3
Banking offices	50	36	31	29	28

(1) The core net interest margin excludes the interest expense associated with the Company's Long-Term Debt — Trust Preferred Securities.

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

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



## To Our Fellow Shareholders,

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Welcome to Wintrust Financial Corporation's ninth annual report. And thank you for being a shareholder.

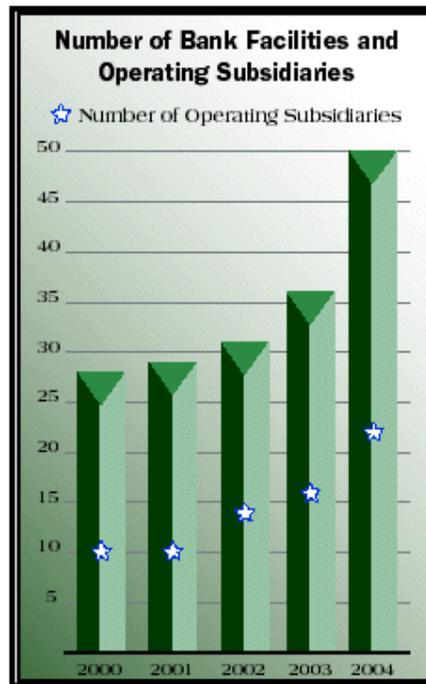
### Solid Growth Continues

2004 was another strong year for our young organization and our growing family of companies. Record growth was achieved in net income (up \$13.2 million or 35%), net revenue (up \$50.2 million or 26%), assets (up \$1.67 billion or 35%), deposits (up \$1.23 billion or 32%), and loans (up \$1.05 billion or 32%). Once again, Wintrust is one of the fastest growing financial services groups in the U.S. in terms of the rate of growth of both earnings and assets. Our stock price increased 26% in 2004. And that's on top of a 44% increase in 2003 and a 54% increase in 2002. We are pleased to report these results to you.

### Aggressive Investment in Future Growth

In 2004, Wintrust invested heavily in expanding its banking, wealth management, and non-banking companies. This investment will pay-off down the road in terms of greater long-term earnings and franchise value.

We expanded our community banking franchises by adding a record fourteen new banking facilities in key Chicagoland markets and the southern Wisconsin markets of suburban Milwaukee and Madison—eight on a *de novo* basis and six by acquisition. This aggressive expansion helped Wintrust gain entry into some important markets before the competition and will generate greater income down the road as the young banks and branches mature.



### Penetrating New Bank Markets— De Novo Expansion

In 2004, *de novo* banking facilities were opened in:

- The Beverly neighborhood of Chicago (Beverly Bank & Trust Company);
- Chicago, Illinois (Wayne Hummer Bank, a branch of North Shore Community Bank & Trust);
- Downers Grove, Illinois (Downers Grove Community Bank, a branch of Hinsdale Bank & Trust Company);
- Gurnee, Illinois (Gurnee Community Bank, a branch of Libertyville Bank & Trust Company);

# BANKING IN SAUGANASH IS ABOUT TO CHANGE FOREVER

Opening soon at 4343 West Peterson Avenue



Architectural rendering of North Shore Community Bank & Trust - Sauganash, opening soon

Not far from the location of the Old Treasury, a new local bank is being added to the Sauganash neighborhood. In a few short weeks, North Shore Community Bank & Trust - Sauganash will open at the corner of Lawrence and Peterson.

Our new location will provide full service banking, including:

- Consumer deposit services, including mortgages, and home equity loans
- Commercial loans and cash management services
- Investment, trust, and asset management services
- Check cashing
- ATM service
- In-house banking
- Child banking and bill pay

As a community bank, you'll find that we're different from the other banks in the area. When you visit, you'll be greeted with a smile and there will be hot coffee and sandwiches on hand. When you call, you'll always get a real human being to talk to, not a recorded phone message. And if you need a loan, approval will be made right here at the bank...not far off in a distant city.

Watch for our grand opening, and stop in for a visit.

Whether you're looking for a checking account or a small business loan, we'll be ready to meet your needs. From Sauganash, Northbrook, Westmont, Westfield, and Westmont, we'll be ready to serve the Sauganash community. Feel free to contact John or Lisa at our Sauganash location prior to the opening in Sauganash. See you soon!



Westmont: 1115 Westmont Avenue, (847) 211-1111  
Chicago: 300 Park Avenue, (312) 211-1111  
Westmont: 1115 Westmont Avenue, (847) 211-1111  
Sauganash: 4343 W. Peterson Avenue, (708) 614-1700 (opening soon)  
www.northsh.com

Member  
NFCU



- The Ravinia neighborhood of Highland Park, Illinois (Highland Park Bank & Trust-Ravinia, a branch of Lake Forest Bank & Trust Company);
- Buffalo Grove, Illinois (Buffalo Grove Bank & Trust, a branch of Northbrook Bank & Trust Company);
- Lake Villa, Illinois (Lake Villa Community Bank, a branch of Libertyville Bank & Trust Company); and
- The Sauganash neighborhood of Chicago (North Shore Community Bank & Trust – Sauganash).

## Continued Opportunities on the Acquisition Front

Wintrust also completed strategic acquisitions in 2004—two community banking organizations, Northview Financial Corporation (Northview Bank & Trust Company and Northview Mortgage, LLC) and Town Bankshares, Ltd. (Town Bank), and a mortgage company, SGB Corporation (d/b/a WestAmerica Mortgage Company) and its affiliate Guardian Real Estate Services, Inc.

Northview Bank & Trust Company was an eleven year old community bank group with banking locations in Northfield (two facilities), Mundelein and

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Wheaton, Illinois. To minimize competition between Wintrust banks and to align our facilities in a logical geographical pattern, in December 2004, a number of changes were made:

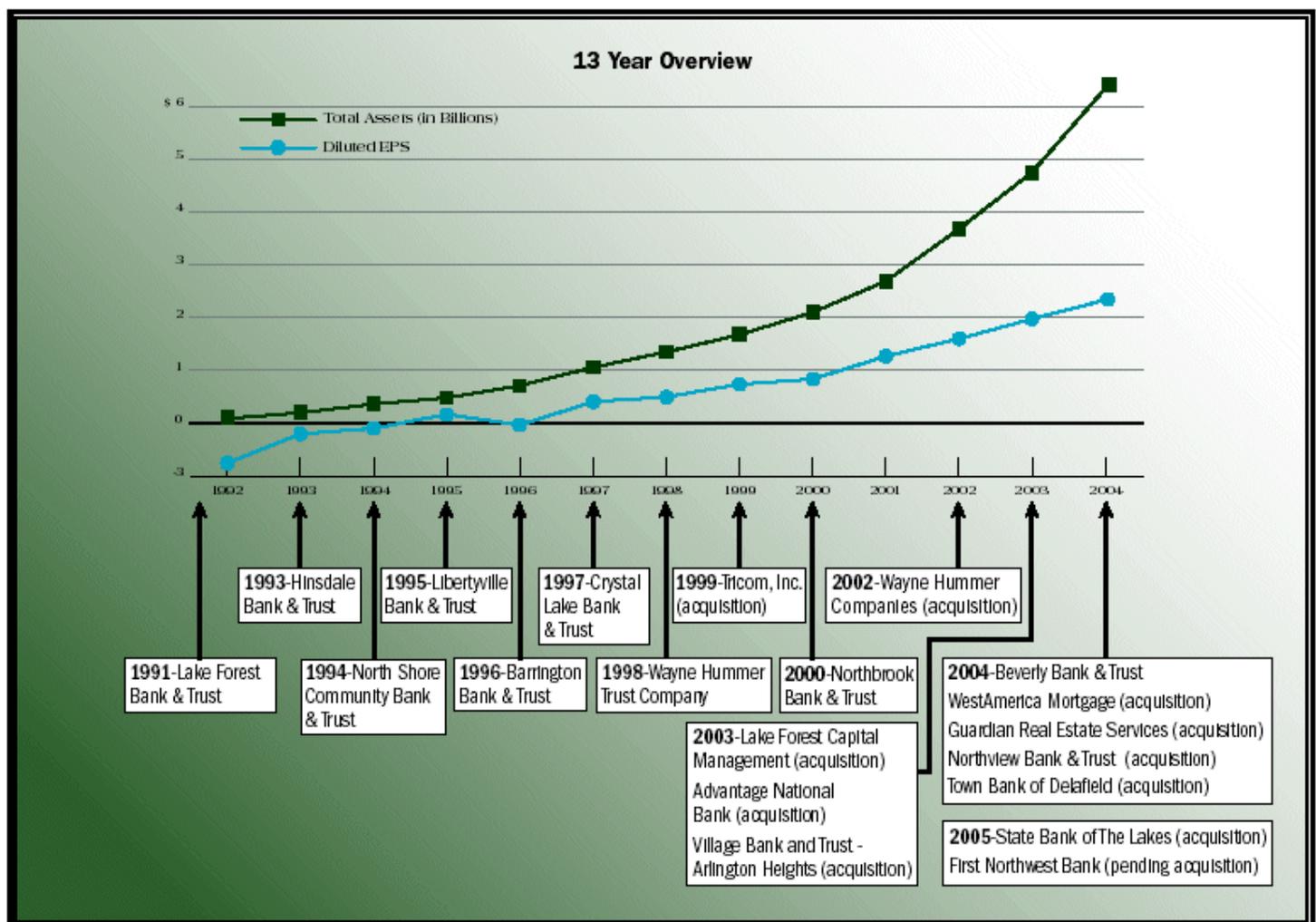
- relocation of Northview's charter to Wheaton and renamed that bank Wheaton Bank & Trust Company;
- Northview Bank & Trust's facilities in Northfield then became branches of Northbrook Bank & Trust Company; and
- Northview's Mundelein office was renamed Mundelein Community Bank, and became a branch of Libertyville Bank & Trust Company.

Town Bank, a six year old community bank headquartered in Delafield, Wisconsin (a western Milwaukee suburb) with a branch in Madison, Wisconsin, provides our first banking entry into the southern Wisconsin market.

WestAmerica Mortgage Company engages in the origination and purchase of residential mortgages for sale into the secondary market. WestAmerica maintains principal origination offices in Arizona, California, Colorado, Florida, Illinois, Kansas, Nevada, and New Jersey. Guardian Real Estate Services provides document preparation and other loan closing services to WestAmerica and its mortgage broker affiliates. This acquisition provides Wintrust with additional fee revenue and our banks with sophisticated and efficient mortgage processing capabilities.

In 2004, we also announced definitive agreements to acquire two additional community banks—Antioch Holding Company (the parent company of State Bank of The Lakes) and First Northwest Bancorp, Inc. (the parent company of First Northwest Bank). We closed on Antioch Holding Company in January 2005 and plan to close on First Northwest Bancorp, Inc. by the second quarter of 2005.

State Bank of The Lakes, which began operations as a *de novo* bank way back in 1894, has locations in Antioch, Lindenhurst, Grayslake, Spring Grove and McHenry, Illinois. First Northwest, which began operations as a *de novo* bank in 1995, has two locations in Arlington Heights, Illinois.





It is interesting to point out that by partnering up with the 110 year old State Bank of The Lakes we have increased the average age of our thirteen banks by over eight years!

### De-Emphasizing *De Novo* ?

With our recent flurry of acquisitions, we are often asked whether this signals a de-emphasis on *de novo* banking. The answer is “Absolutely not!” 2004 was actually our most active *de novo* year ever and our plans for 2005 have us on a similar path.

The bank acquisitions we have made to date have allowed us to move into strategic areas with solid management platforms to support future growth. Other than State Bank of The Lakes, each has itself been a



recent *de novo* institution which provides for a great cultural fit. Our plan is to assimilate these banks into our growth pattern creating both franchise and earnings value for our shareholders.

To evidence this one only needs to look at the progress of the two institutions we acquired in the fourth quarter of 2003. Advantage National Bank and Village Bank and Trust, both *de novo* institutions, had total assets of \$132 million and \$86 million, respectively, at their respective acquisition dates. As of December 31, 2004, these banks had grown total assets to \$230 million and \$173 million, respectively. It is our intention to apply this same strong growth strategy to all acquired institutions going forward.

### Expanding Wealth Management Distribution

We have also invested aggressively to expand the wealth management side of our business. In 2004 and early 2005, we have added Wayne Hummer Financial Advisors to a number of Wintrust banking offices and now have Wayne Hummer Wealth Management representatives in fifteen facilities in Illinois and Wisconsin, including Barrington, Beverly, Chicago, Elk Grove Village, Hinsdale, Lake Forest, Libertyville, McHenry, Northbrook, Western Springs, West Lake Forest, Wilmette and Wheaton, Illinois, as well as, Appleton and Delafield, Wisconsin.

### Capital Offering to Support Additional Growth

In December, we announced a public offering of 1.2 million shares of our common stock priced at \$59.50 per share, before underwriting discounts. This capital raising effort was done in a very innovative way by using a “forward sale agreement.” The use of the forward sale agreement, among other things, allows the Company to deliver common shares and receive cash at the Company’s election anytime through mid-December of 2005. This flexibility allows us to efficiently deploy our capital resources when needed and, consequently, is beneficial to our shareholders. Our objective with this offering was to efficiently provide capital and funding for the acquisitions of State Bank of The Lakes and First Northwest Bank, and for other corporate purposes.

### Many Thanks...And Welcomes

2004 was indeed a remarkable year for Wintrust. So, some well deserved “thank you’s” are due.

After each successful year, we thank all of our dedicated employees who continue to provide our customers and clients with the best service around, bar

none. Thank you.

And to our management teams. Without your leadership, passion and hard work, our company would not be nearly as remarkable as it has become. Thank you.

And to our customers—banking, mortgage, investment, trust, premium finance, employment agencies—for trusting us with your financial affairs. Thank you.

And to our more than 150 directors of Wintrust Financial Corporation and its subsidiaries for their commitment, wise counsel, and community involvement. Thank you.

And finally, to our shareholders for keeping us focused on what we do best—profitably growing our franchises by delivering superior customer service and products uniquely positioned to meet consumer needs. Thank you, too.

We have also added many new employees with the 2004 and early 2005 addition of Northview Bank & Trust, Town, Town Bank, WestAmerica Mortgage, State Bank of The Lakes, and eight new *de novo* bank facilities. To all of you, we also say “Welcome to the Wintrust family!”

### **What’s In Store for 2005?**

We plan to continue our aggressive expansion of our banking, wealth management and other financial services franchises in 2005.

On the banking side, plans are being developed or construction is underway for a number of new or improved banking facilities including:

- Advantage National Bank (new Carol Stream branch facility);
- Barrington Bank & Trust (new branch on Northwest Highway in Barrington, with drive-through);
- Barrington Bank & Trust (main bank addition);
- Beverly Bank & Trust (main bank facility with drive-through);
- Buffalo Grove Bank & Trust (main facility with drive-through);
- Crystal Lake Bank & Trust Company (new Algonquin branch facility);
- Downers Grove Community Bank (main facility with drive through);
- Glen Ellyn Bank & Trust (new branch of Wheaton Bank & Trust, temporary facility);
- Gurnee Community Bank (main facility with drive-through);
- Highland Park Bank & Trust (new main facility with drive-through);
- Lake Forest Bank & Trust-Lake Bluff (expansion and addition of drive through);
- Northbrook Bank & Trust-West Northbrook (new branch facility);
- North Shore Community Bank & Trust (main Wilmette bank expansion);
- Palatine Bank & Trust (new branch of Barrington Bank & Trust, temporary and full service facility); and
- Town Bank (new Waukesha Co., WI branch facility).

**JOIN OUR FOUNDER'S CLUB™**  
and Get a Lifetime of Banking Privileges



FOUNDER'S CD (Special when you become a member of our Founder's Club)	SPECIAL HOME EQUITY RATE WHEN YOU BECOME A MEMBER OF OUR FOUNDER'S CLUB								
<b>5.00%<sup>APR</sup></b> FOR 7 MONTHS	<table border="1"> <thead> <tr> <th>Amount</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>\$10,000 - \$49,999</td> <td>Fixed</td> </tr> <tr> <td>\$50,000 - \$99,999</td> <td>Fixed - .50%</td> </tr> <tr> <td>\$100,000 or up</td> <td>Fixed - .75%</td> </tr> </tbody> </table>	Amount	Rate	\$10,000 - \$49,999	Fixed	\$50,000 - \$99,999	Fixed - .50%	\$100,000 or up	Fixed - .75%
Amount	Rate								
\$10,000 - \$49,999	Fixed								
\$50,000 - \$99,999	Fixed - .50%								
\$100,000 or up	Fixed - .75%								

Palatine Bank is a member of the FDIC. Bank deposits are insured by FDIC. Subject to credit review, we are offering a Founder's Club CD based on a new introductory rate for 7 months. This rate is subject to change without notice. All other rates are subject to change without notice. All other rates are subject to change without notice. All other rates are subject to change without notice.

- **FREE** Monthly **FDIC** Checking to meet with **TRUST INVESTMENT** **ADVISOR** (M-F 9:00am-5:00pm) with no fee
- **A GUARANTEED BEST RATE** on all Money Market CDs
- **FREE** 24-hour access to our ATM's
- **FREE** New order of checks with FreeMailings
- **NO ANNUAL FEE** (up to \$100 on Credit Cards)
- **NO ANNUAL FEE** (on all Credit Cards)
- **FREE** Online Banking 24/7
- **FREE** CheckImage® Payment (no fee)
- **FREE** Loan to Buy a Car (up to \$100,000)
- **FREE** Home Equity Loans (up to \$100,000)
- **FREE** 24-hour access to our ATM's
- **FREE** 24-hour access to our ATM's
- **FREE** 24-hour access to our ATM's

**PALATINE BANK**  
A FIRST FIDELITY COMPANY

100 West State Street | 815.353.0321 | www.palatinebank.com

In 2005, Wayne Hummer has aggressive growth plans as well. We will expand Wayne Hummer's distribution channel to additional Wintrust bank facilities, as well as add Financial Advisors to Wayne Hummer's facilities in Chicago and Appleton. Our recruiting of experienced brokers who are tired of working for the larger multi-national investment firms and relish the opportunity to work locally for the more entrepreneurial Wayne Hummer group is working well. We also will be adding a state-of-the-art trading platform that will give our Financial Advisors best-in-class research and technology. In addition to providing many new sophisticated investment products and analytical tools, this new platform will also provide a terrific recruiting edge.

We are also executing our growth plans for our other financial subsidiaries—FIRST Insurance Funding, Tricom, and WestAmerica.

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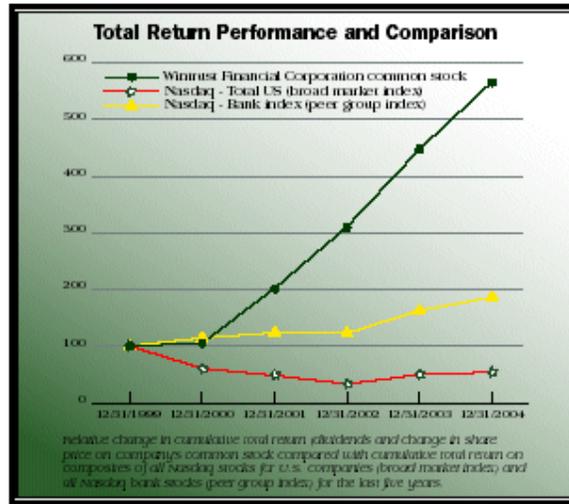
Please enjoy the remainder of our 2004 Annual Report, which highlights the following areas:

Page	Topic
9	Overall Financial Performance
12	Corporate Maps
14	Updates on Our Existing Bank Franchises
17	An Update on Our Wayne Hummer Wealth Management Companies
19	An Update on Our Other Strategic Companies
21	Growth and Earnings Strategies
29	Acquisition Strategy
31	The Brands We Market
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118	Corporate Locations
122	Corporate Information

## In Summary

We are pleased with the Company's performance. While we significantly increased our investment in new bank facilities, acquisitions, and Wayne Hummer's distribution channels, we executed our strategy of balancing growth of the balance sheet with growth in earnings. We are energized about our opportunities in community banking, wealth management, mortgage origination, and our other financial services businesses.

And as we wrote last year, our biggest challenge is to continue to act “small” in terms of how we operate and how we treat our customers. Maintaining our



humble, small company culture is paramount as we add operating subsidiaries and continue our growth.

### And Miles to Go Before We Sleep

As the great American poet Robert Frost penned in his 1923 “Stopping by Woods on a Snowy Evening” classic.

*But I have promises to keep,  
And miles to go before I sleep.  
And miles to go before I sleep.*

This too is our mantra. We also have miles to go before we sleep. At the ripe old adolescent age of thirteen, we continue to be stimulated by the journey ahead and are not ready to rest.

We are grateful for your continued support and are enthusiastic about making 2005 another strong year for our company and our shareholders.

Thank you again for being a shareholder and supporting our business.



Sincerely,

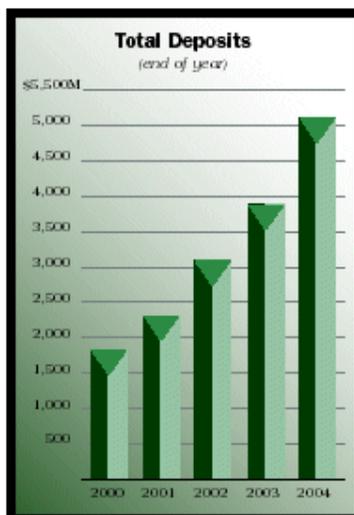
Edward J. Wehmer  
President &  
Chief Executive Officer

John S. Lillard  
Chairman

David A. Dykstra  
Senior Executive Vice President &  
Chief Operating Officer

## Overall Financial Performance

2004 was another year of balancing future growth and current earnings. While Wintrust made record investments in *de novo* bank facilities, bank and non-bank acquisitions, and wealth management distribution channels that will pay out over the long-term, we also generated record earnings of \$51.3 million this year, an increase of 35% over 2003. This is on top of 37% earnings



growth in 2003. With average common shares outstanding up 14% in 2004, earnings per diluted share increased to \$2.34, 18%. The Company also increased shareholders' equity by \$124.1 million or 35%. And book value per common share increased to \$21.81, up 25%.

### Excellent Vitals

In our eighth full year as a public corporation, we continued to generate strong growth rates on all of our vital statistics. Through our *de novo* banking expansion, targeted acquisitions, and unique business building strategies, we have been able to achieve something that few financial services groups around the country can claim—compound growth rates in assets, revenues and earnings that consistently exceed peer group.

#### Compound Growth Rates

	1 year	2 year	3 year	4 year	5 year
Total Assets	35.2%	31.3%	33.4%	32.2%	30.8%
Total Loans <sup>(1)</sup>	31.9%	30.4%	29.2%	29.5%	27.9%
Total Deposits	31.7%	28.5%	30.2%	29.3%	28.4%
Total Revenue	26.0%	23.8%	33.3%	32.3%	33.4%
Net Income	34.7%	35.7%	40.7%	46.5%	40.3%
Diluted Earnings Per Share	18.2%	20.9%	22.6%	29.6%	26.2%

(1) Excludes mortgage loans held-for-sale

### Performance Versus Goals

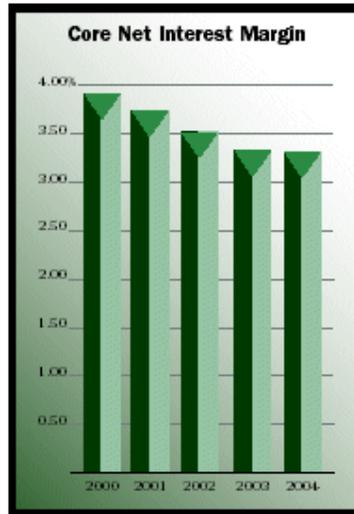
At Wintrust, we have always had a policy of presenting our goals, objectives and financial results in an up-front manner to our shareholders. We set aggressive goals and evaluate our performance versus those goals. Progressing towards these financial goals will make us a high performing company. In 2004, we had mixed progress towards achieving these goals:

#### Performance Measurements

	Our Goal	Year ended 12/31,		
		2004	2003	2002
Core Net Interest Margin <sup>(1)</sup>	4 - 4.5%	3.31%	3.32%	3.51%
Net Overhead Ratio	1.5 - 2.0%	1.30%	1.22%	1.41%
Return on Average Equity	20 - 25%	13.12%	14.36%	14.76%
Return on Average Assets	1.5%	0.94%	0.93%	0.87%
Earnings per Diluted Common Share		\$ 2.34	\$ 1.98	\$ 1.60

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(1) By definition, our Core Net Interest Margin excludes the impact of interest expense associated with the Company's Trust Preferred Securities offerings.

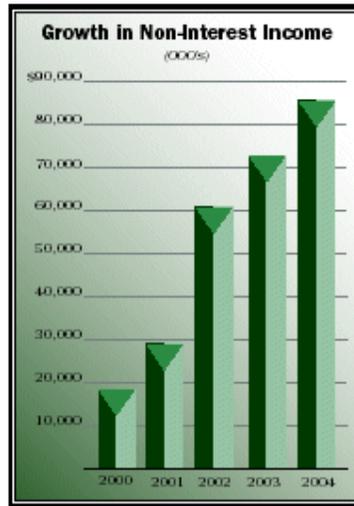


- Our core net interest margin contracted 1 basis point in 2004 versus the prior year primarily due to the difficult rate environment;
- Our net overhead ratio, a measure of operating efficiency, increased 8 basis points to 1.30%, due to the addition of a number of new facilities with higher net overhead ratios. However, the level is still very good and better than our targeted goals;
- Return on average equity for 2004 stood at 13.12%, down from last year's 14.36% due to the issuance of additional shares;
- Return on average assets improved to 0.94% for the year, compared to 0.93% for 2003, and;
- Earnings per diluted common share improved \$0.36, or 18%.

In 2005, we expect to see improvement in our key operating ratios as our young franchises and new acquisitions integrate, grow, and mature.

**Interest Margin and Non-Interest Income**

Our core net interest margin for 2004 essentially held at the same level of 3.31% compared to 3.32% in 2003. The difficult rate environment in 2004 held prime at a low of 4.00% for the first half of the year while rates gradually increased to 5.00% by the end of the year. This meant that increases in our earning asset yields



were offset by rising price of deposits driven by higher cost of Treasury-based deposit products and introductory deposit pricing for Wintrust's new branch introductions into new markets. Nevertheless, net interest income totaled \$157.8 million for 2004, an increase of \$37.3 million, or 31%, over 2003. And if interest rates continue to rise, as many expect, the Company's balance sheet is now positioned to benefit from additional Federal Reserve Bank rate increases. This is a key area for improvement for our community banks.

Our non-interest income grew to \$85.5 million in 2004, an increase of 18% over the prior year. This growth was a result of a higher level of fees from our wealth management business, an increase in income from premium finance receivables which were sold to an unrelated third party, fees from originating and selling residential mortgage loans into the secondary market, and gains received from active management of our investment portfolio.

IRAs Are Eligible

## Our Pledge:

### The Best CD rates in town.

**Hey Big Bank, give us your best shot!**

14 months <b>3.25%</b> APY*	20 months <b>3.50%</b> APY*	24 months <b>3.65%</b> APY*
Minimum deposit \$5,000		



*The*  
**COMMUNITY BANK of**  
**WESTERN SPRINGS**  
A member of Wintrust Bank & Trust Company



Give us your best shot. Big Banks! With our "Best Any Offer" Pledge, we'll beat any advertised fixed rate, fund rate offer from one of our local bank competitors. That's just part of what makes us the best bank in town.

1000 Hillgrove Avenue, Western Springs, IL, 60558 | 708-246-7100 | [www.communitybanksw.com](http://www.communitybanksw.com)

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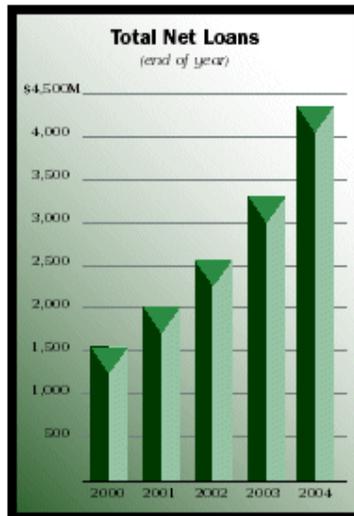
\*The annual percentage yield (APY) is calculated on a simple interest rate with interest compounded and paid monthly and assumes interest remains on deposit for one year. APY accurate as of 2/15/05. Rates are subject to change without notice. Substantial penalty for early withdrawal. Penalty may reduce earnings. Minimum deposit \$5,000. Limited time offer.

## **Return on Average Equity and Return on Average Assets Still Need Work**

We have always maintained goals for our performance measurements. Two areas in which we are striving to achieve better results are return on average equity and return on average assets. Return on average equity fell from 14.36% a year ago to 13.12% for end of year 2004. Return on average assets grew by 1 basis point to 0.94%, an increase but still shy of our goal of 1.5%. However, we think we will achieve our Wintrust goals for return on average equity and return on average assets as our younger banks and acquisitions mature and garner higher returns on average equity and average assets.

## **Very Good Asset Quality**

Asset quality continues to be an important part of our growth story. We ended the year with very low levels of non-performing assets and net charge-offs of loans. In the area of credit quality, one cannot rest on past laurels. We are relentless in the pursuit of credit quality.



In 2004, non-performing assets totaled \$18.6 million, or 0.29% of total assets, compared to \$24.1 million, or 0.51% of total assets in 2003. Net loan charge-offs as a percentage of average loans declined to seven basis points in 2004, compared to 18 basis points in 2003. Non-performing assets remain at levels that the Company believes make monitoring and collection of the non-performing assets very manageable.

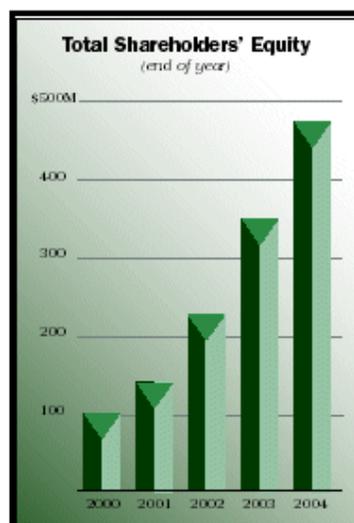
**Earnings Growth Paying Dividends**

In January and July of 2004, our Board of Directors approved semi-annual cash dividends of \$0.10 per share of outstanding common stock. These dividends were paid in February and August. This annualized cash dividend of \$0.20 per share represented a 25% increase over the per share common stock dividends paid during 2003.

And in January 2005, our Board approved a semi-annual cash dividend of \$0.12 per share of outstanding common stock. The dividend was paid on February 22, 2005 to shareholders of record as of February 8, 2005. This cash dividend, on an annualized basis, represents a 20.0% increase over the per share common stock dividends paid during 2004. Here is a historical summary of our increasing dividend distribution:

Year	Diluted Earnings	Dividend Per Share	Dividend Payout Ratio
2004	\$ 2.34	\$ 0.200	8.5%
2003	1.98	0.160	8.1
2002	1.60	0.120	7.5
2001	1.27	0.093	7.3
2000	0.83	0.067	8.1

While we have increased the dividend every year since we initiated payment of dividends, as a growing company which is continually investing in growth, we continue to retain approximately 90% of our earnings to build our long term franchise. We also continue to consider a dividend reinvestment plan. The current dividend level is too small to make any such plan operationally efficient. However, such a plan is not out of the question if we are able to continue our precedent of increasing dividends in the future.

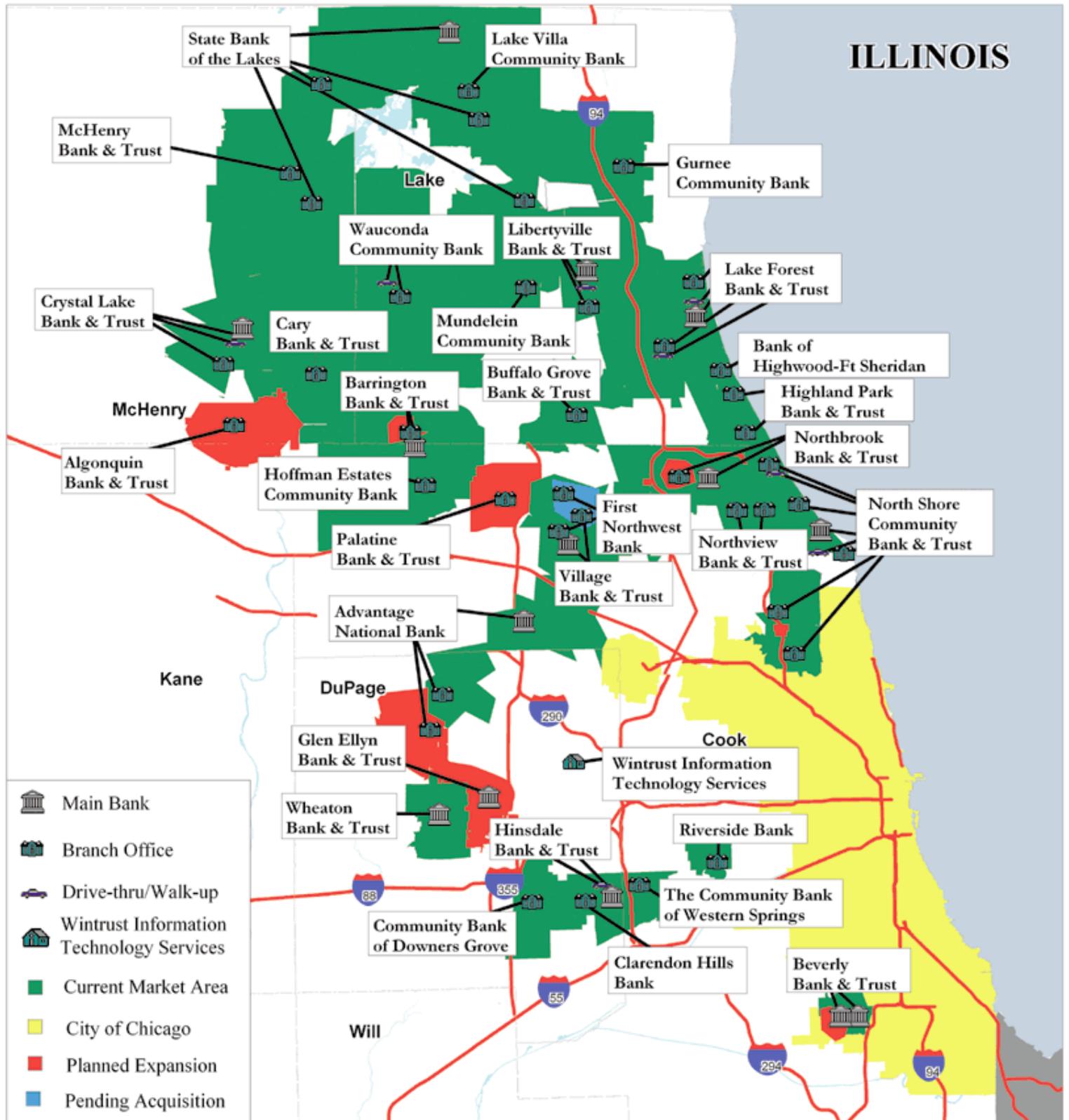
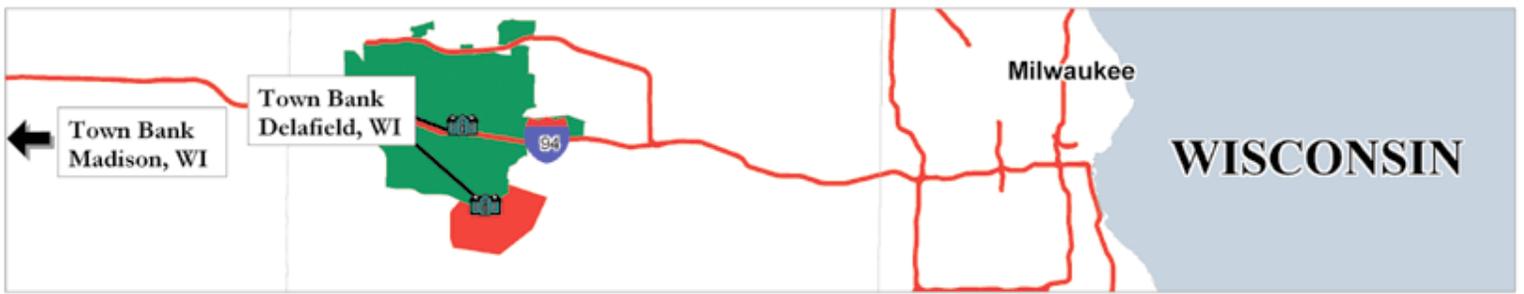




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*Corporate Maps*

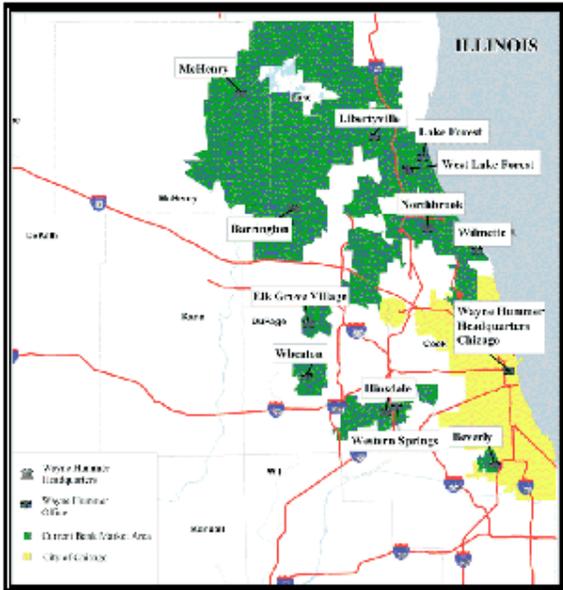
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- Main Bank
- Branch Office
- Drive-thru/Walk-up
- Wintrust Information Technology Services
- Current Market Area
- City of Chicago
- Planned Expansion
- Pending Acquisition



Wayne Hummer Illinois Offices



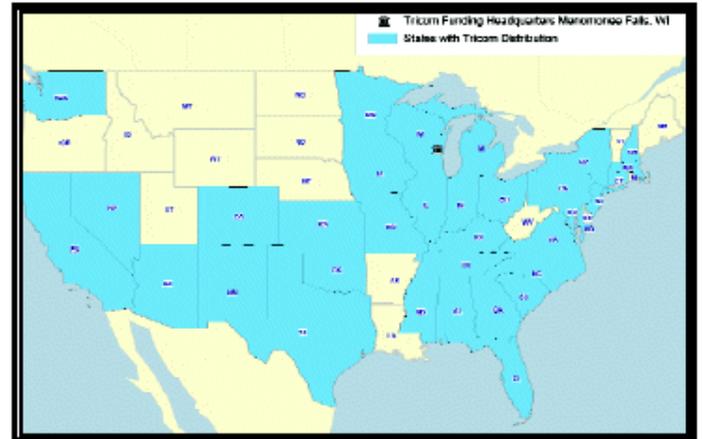
Wayne Hummer Wisconsin Offices



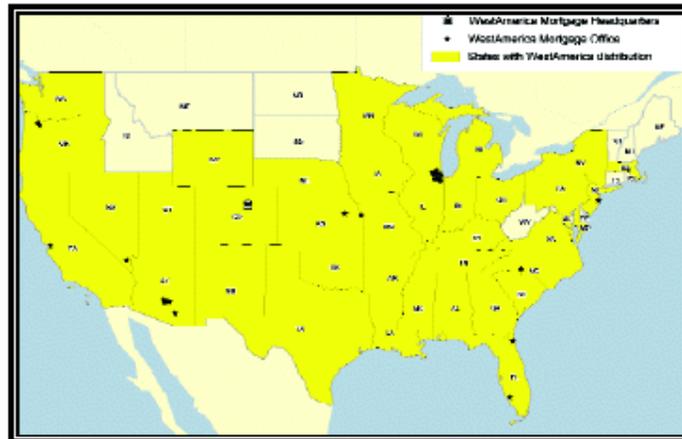
FIRST Insurance Distribution



Tricom Funding Distribution



WestAmerica Distribution





Updates on Our Existing Bank Franchises

**Lake Forest Bank & Trust Company (LFB&T)**

LFB&T in its thirteenth full year has eight bank facilities in Lake Forest, Lake Bluff, West Lake Forest, Highwood, Highland Park and, most recently, Ravinia. By the end of 2004, Highland Park Bank & Trust had opened a facility in Ravinia and almost completed their new permanent facility in downtown Highland Park. Additionally, ground was broken for a drive-through facility in Lake Bluff. LFB&T also established a new Personal Services Division to assist busy clients' lives with personal services, as well as Women FIRST™, a "Woman's Banking" program.



**Hinsdale Bank & Trust Company (HB&T)**

In operation for its eleventh year, HB&T boasts six locations in Hinsdale, Clarendon Hills, Western Springs, Riverside, and Downers Grove. Community Bank of Downers Grove became the fifth member of the HB&T family in early 2004, with the opening of their temporary facility while a permanent structure is being built. The commercial banking department of Hinsdale Bank has expanded to newly renovated space adjacent to the Bank's main office.

**North Shore Community Bank & Trust Company (NSCB&T)**

Celebrating its tenth anniversary in 2004, NSCB&T has facilities in Wilmette, Glencoe, Winnetka, Skokie, and Chicago. NSCB&T completed the construction of their newest banking facility with a beautiful new permanent bank facility located in the Sauganash area of Chicago in 2004.



**Libertyville Bank & Trust Company (LB&T)**

LB&T completed its ninth year of operations and increased their number of facilities from five to eight in 2004, with the opening of Gurnee Community Bank and Lake Villa Community Bank in April and September, respectively. In December, LB&T welcomed Mundelein Community Bank (former branch of acquired Northview Bank & Trust) to the family.



**Barrington Bank & Trust Company, N.A. (BB&T)**

In 2004, BB&T achieved eight years in operation while continuing to serve Barrington and Hoffman Estates with two facilities. BB&T received approval from regulators and construction is well underway on two new branch locations. The first, which will be called Palatine Bank & Trust, will be a full service branch location with a drive-up facility. The second is a drive-up and convenience facility on Northwest Highway in Barrington.

**Crystal Lake Bank & Trust Company (CLB&T)**

CLB&T continued to serve the communities of Crystal Lake, McHenry and Cary, Illinois with five facilities and is now over seven years old. CLB&T was proud to be the lead Wintrust bank in sponsoring Operation American Hero Care Package. Operation American Hero Care Package collected personal care items and letters that were mailed to American soldiers overseas. CLB&T and its staff were very proud of their involvement with this program, as were other Wintrust banks.



**Northbrook Bank & Trust Company (NB&T)**

NB&T expanded its presence geographically by establishing their first branch, Buffalo Grove Bank & Trust Company, in a temporary location. A permanent facility with drive-through is under construction. NB&T also welcomed



Northview Bank & Trust's two Northfield locations into its family in late 2004. With four locations to provide outstanding community banking service, NB&T anticipates a continuation of the significant growth that it has had in just over four years.

**Advantage National Bank (ANB)**

During 2004, ANB enjoyed its first full year as part of the Wintrust family with facilities in Elk Grove Village and Roselle. ANB began an aggressive marketing program designed to grow their customer base and accounts per household and allowed us to increase deposits 67% from the previous year. Five new products were introduced during the year, including an exciting new Health Savings Accounts (HSA).



### Village Bank and Trust – Arlington Heights (VB&T)

2004 was also the first full year of Village Bank and Trust enjoying the support of being a Wintrust bank. Throughout the year, VB&T ran an aggressive marketing program in their Arlington Heights and Prospect Heights markets, which yielded the bank an 80% increase in the total deposit balances from the prior year. VB&T also introduced a new product called “Municipal NOW” account and is now better able to service the needs of surrounding municipalities.

### Beverly Bank & Trust Company (BevB&T)

BevB&T opened in April 2004, serving the needs of the Beverly/Morgan Park residents and businesses, as well as surrounding communities on the southwest side of Chicago. The bank represents Wintrust’s eighth *de novo* institution and first charter in the City of Chicago. BevB&T had the strongest account opening for a *de novo* main bank in recent Wintrust history. A remarkable job for such a small facility that is only 2,000 square feet.



### Town Bank (TB)

TB became a member of the Wintrust family in October 2004. Besides their location in Delafield, Wisconsin, TB opened a new facility in downtown Madison in 2004. This marks Wintrust’s first banking facilities in Wisconsin. TB also successfully launched a new Health Savings Account product in June 2004.

### Wheaton Bank & Trust Company (WB&T)

In December 2004, WB&T was formed when the charter of the Northview Bank & Trust was transferred to the Northview branch in Wheaton, IL. The bank has gone through a complete transformation including a beautiful remodeling of the entire banking facility, doubling of its staff and celebrating its name change. In early 2005, the bank celebrated its Grand Reopening.

### State Bank of The Lakes (SBOTL)

In January 2005, Wintrust announced the completion of the acquisition of SBOTL and its locations in Antioch, Lindenhurst, Grayslake, Spring Grove and McHenry. In 2004, they opened their fifth facility, located in McHenry, IL, and remodeled portions of their Antioch facility.

*An Update on Our Wayne Hummer Wealth Management Companies*

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Our Wayne Hummer Wealth Management operation is comprised of Wayne Hummer Investments, LLC, Wayne Hummer Trust Company and Wayne Hummer Asset Management Company. Serving generations of families, they continue to focus on what's best for their clients.

As one of Chicago's oldest investment firms, the Wayne Hummer companies provide a complete range of wealth management services ranging from brokerage to asset management to trust services. We have included a Wayne Hummer Capabilities brochure in this report for your review.



Wayne Hummer's investment professionals have the expertise to provide our clients with sophisticated financial advice. Our clients range from those seeking basic investment services to high net worth individuals, charitable institutions and corporations seeking specialized money management services. Our Financial Advisors are responsible for assembling a team of Wayne Hummer specialists to address the specific financial needs of each of our clients. These specialists are seasoned experts in investment, trust, asset management, and financial planning. These are not part-time bank employees posing as investment advisors, nor are they "rookie" employees new to the complex world of investing. We approach each client objectively, carefully analyze their needs and recommend the appropriate financial solution.

In addition to our other offices, in 2004 and early 2005, Wayne Hummer has established a presence in Wintrust bank locations in Beverly, Elk Grove Village, Libertyville, McHenry, Western Springs, Wheaton, Wilmette, Illinois, and Delafield, Wisconsin. The offering of wealth management services in concert with our banking services has been extremely well received by our banking customers. Our Financial Advisors work with bank employees to create investment plans that complement our clients' deposit and credit strategies. We look for continued growth during 2005 through expansion of our Chicago and Appleton, Wisconsin, offices and by staffing additional Wintrust Bank offices.



A key part of the Wayne Hummer marketing strategy has been the increased appearance of our professionals in the major and local media outlets. Wayne Hummer Investments' Chief Economist, Bill Hummer, and Wayne Hummer Asset Management's Chief Market Strategist, Sandy Lincoln, among others, are regularly sought out by national and local media to provide their commentary and expertise on timely topics.

In an effort to improve efficiency and to support our clients with the best technology and services, Wayne Hummer Investments has decided to outsource its securities clearing function. Toward the end of 2004, a task force comprised of senior management and operations personnel at Wayne Hummer began to map out the process of the move to this new trading platform which we plan to complete in the 2nd Quarter of 2005.

By moving to an outsourced platform, Wayne Hummer will be partnering with a highly respected firm that can provide access to a broad range of innovative products, thus allowing us to keep pace with even the most sophisticated of our competitors. This move will also provide Wayne Hummer with the technological and product foundation necessary to recruit highly skilled and productive Financial Advisors.



Focused Investments, a subsidiary of Wayne Hummer Investments, continued to grow by providing a full range of investment products via a network of community-based financial institutions in the Midwest. Their gross commission revenue increased in 2004 by 28.9% over the previous year. Focused is expanding their marketing efforts into Michigan, Missouri, Minnesota, Ohio and Pennsylvania.

**FIRST Insurance Funding Corp.**

As expected, the insurance industry experienced a flattening of premiums, causing most premium finance companies to suffer through a stagnant or declining 2004. Despite this, FIRST made 2004 another record year with \$2.6 billion in premium finance volume, a 19% increase over 2003, and total outstanding and serviced loans of more than \$1 billion.



FIRST's growth came from aggressive sales and marketing efforts that added more than 200 active agents and brokers to FIRST's core business. FIRST also received a boost from its continued endorsements from The Council of Insurance Agents & Brokers and The Professional Liability Agents Network and a new endorsement from the Agency Peak Performance EXchange (APPEX).

FIRST's growth did not come at the expense of its profitability or asset quality. FIRST saw growth in its profitability and a continued decline in its delinquency numbers. With total delinquency holding at less than 2% of outstandings and charge-offs of only 0.14% of average loans, FIRST can boast one of the cleanest books in its history.

FIRST remained equally vigilant in its credit and underwriting, continuing to review annually each of the more than 3,800 agents, brokers and insurance companies it did business with in 2004.

FIRST hit all of these milestones with a stable employee base, thanks to continued automation by FIRST's Information Technology group.

Having distribution in all 50 states, FIRST will build on these successes in 2005 by growing its core agent base and pursuing new channels within the insurance market.

**Tricom Inc. of Milwaukee**

As 2004 came to a close, so did three long years of economic strain for the staffing industry. Despite the continuing soft economy, Tricom Funding was able to maintain a net revenue contribution of \$7.8 million and a net income contribution of \$1.5 million.

Tricom used the year to build their asset-lending portfolio in larger markets. Tricom was successful in landing contracts with two growing and impressive staffing organizations that, combined, could contribute over \$900,000 in net revenue in 2005.

Additionally, Tricom enhanced their marketing efforts with the introduction of a substantially improved website and all new marketing materials.



Two informative articles written by Tricom's president, "Know What Your Funding Costs You" and "Partner for Growth" were featured in staffing trade publications giving Tricom added exposure in the industry and providing additional tools for both prospecting and retaining existing clients.

All signs indicate that 2005 should be the turning point for a healthy year in the contingent workforce.

Tricom services all types of staffing services companies and as of December 31, 2004, had clients in 34 states.

Future plans include launching sales efforts in the Security Services Industry (security guards). This industry closely resembles the staffing industry with the same issues around finance.

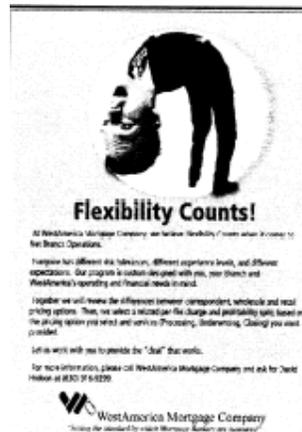
### WestAmerica Mortgage Company

WestAmerica joined Wintrust in 2004, as our newest nonbanking subsidiary. This gives the company access to capital to take advantage of future growth opportunities and leverage production capabilities inside the Wintrust banks.

For the mortgage industry, it was a year of consolidation as the refinances of the past few years declined dramatically. WestAmerica used this industry contraction to open new production offices in California, Portland and Charlotte, as quality sales people become available with the decline in the industry. WestAmerica's distribution as of December 31, 2004, now includes 37 states.

In addition, the company expanded its productions into Alt-A and Second Mortgages, which by year-end accounted for roughly 25% of production.

In 2005, WestAmerica will continue to seek profitable expansion opportunities and the growth of its product lines while tightly managing overhead to maintain profitability and increase market share in all areas.



### Wintrust Information Technology Services (WITS)

Security is on everyone's mind these days and WITS continues to expand in this area to provide the highest practical level of customer information security. We have continued to develop our ability to monitor what is occurring inside and outside our network. By being aware of events as they are happening we are better positioned to prevent any potential loss of our customers' valuable information.

WITS made a number of improvements to our on-line banking products and services. We implemented an enhanced customer services platform for our personal bankers and are piloting it with our newly converted acquisition banks. Additionally, we are piloting a new signature retrieval system at the teller lines of our newly converted acquisition banks. Additional functionality was added to our consumer Internet banking product expanding the customers' access to check and statement images. Our customers can now perform an automated reset of their on-line password with e-mail notification of the new password therefore reducing the time to recover from a forgotten password.



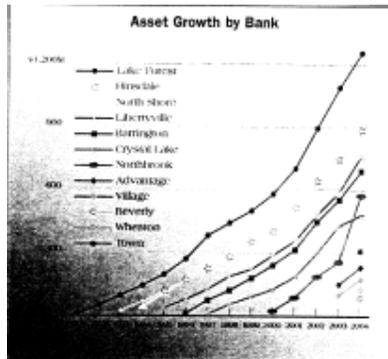
WITS began rolling out a new Voice Over Internet Protocol system for the banks and other subsidiaries. During 2004, WITS converted approximately 35% of Wintrust's analog phone lines to this system.

During 2004, WITS made increases and changes to staff to allow for conversion support of acquired financial institutions. This will allow us to minimize the cost of our conversion efforts. Additionally, this staff will develop into a product support group to work with our bankers on product ideas and provide project management of our efforts to deliver those products.

For 2005, WITS looks to continue to provide our banks and subsidiaries support on the technology front, including an enhanced design of our banks' websites.

**Growing Assets and Earnings**

Wintrust has been a unique story since becoming public in 1996. It has been one of the most successful financial groups at generating a high level of both asset and earnings growth over an extended period of time. Stifel, Nicolaus & Company, a respected market maker, publishes quarterly data for over sixty bank holding companies they regularly track. Their most recent analysis once again ranks Wintrust's five year annual compound growth rate in earnings per share performance in the top six and share price performance was in the top three of those bank holding companies that they track.



Generating both growth and earnings increases starts by setting aggressive goals for our banks, including growing each bank's assets by \$50-\$75 million per year, increasing ROA by 10-20 basis points per year, and positioning the balance sheets for improvement in net interest margin in anticipation of upcoming rate increases. We attempt to accomplish these financial goals by executing our unique strategic plan that builds our brand franchises faster and more profitably than our competitors. Our recipe, which balances growth and earnings, also builds shareholder value and has created an earnings multiple that recently has exceeded most other bank groups our size.

**#1 Strategy is Service, Service, Service**

The underlying lynchpin of our success is our relentless focus on giving our customers superior service. As we have written many times before, "Our mission is to provide the best customer service, bar none."

We make fulfilling clients' needs priority one, whether that be banking, wealth management, premium finance or any of our other businesses. This results in more satisfied customers and higher customer loyalty.

On the banking side, what really separates us from our big bank competitors is our superior customer service. Customers may come to us because of a certain product or an attractive price, but they stay with us because of our service. On a regular basis we measure bank customer satisfaction and our delivery of customer service. In our most recent survey, we are pleased to note that each Wintrust community bank's received ratings of "excellent" or "good" for overall performance by at least 92% of its customers. That's a lot of very satisfied customers.

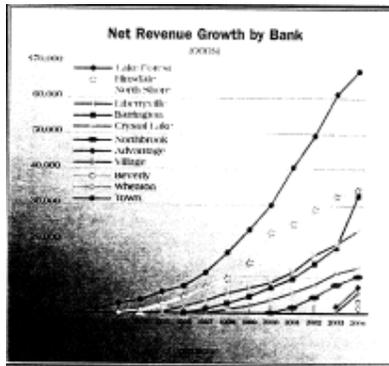




**Profitable Growth Strategies**

Three primary strategies continue to be the “building blocks” that provide the framework for Wintrust’s strong growth and earnings:

1. *Building a base of community banks;*
2. *Expanding wealth management distribution; and*
3. *Developing asset niches and other income generators to fuel growth.*



**Building Strong community banking Franchises**

Our first “building block” strategy is to build a strong base of community banking franchises. As of February 2005, (after the State Bank of The Lakes closing) Wintrust now has thirteen banking subsidiaries with 55 locations. 53 locations are in Illinois and two in Wisconsin. Eight banks and 40 facilities were *de novo* launches over the last thirteen years. And five banks and 15 facilities have been added by acquisition since 2003. In the coming years, we expect to add banks and branches, both *de novo* and acquisition, into Illinois, Wisconsin, and eventually Indiana markets.

We are now the eighth largest bank group in the Chicago Metropolitan Statistical Area (MSA) and have leadership share positions in all of our mature *de novo* bank markets. According to FDIC data as of June 30, 2004, we also have the second highest number of individual bank charters for a single holding company in Illinois. And when one of the big banks consolidates all of their charters into one in 2005 as they reported, Wintrust should have the most individual bank charters in Chicago MSA.

Bank	De Novo Opening	Acquisition Date	Deposit Market Share Rank*
1. Lake Forest Bank & Trust	12/91		1 (out of 8)
2. Hinsdale Bank & Trust	10/93		2 (out of 13)
3. North Shore Community Bank & Trust	9/94		1 (out of 9)
4. Libertyville Bank & Trust	10/95		1 (out of 9)
5. Barrington Bank & Trust	12/96		2 (out of 9)
6. Crystal Lake Bank & Trust	12/97		2 (out of 14)
7. Northbrook Bank & Trust	11/00		2 (out of 12)
8. Advantage National Bank		10/03	3 (out of 15)
9. Village Bank & Trust		12/03	4 (out of 13)
10. Beverly Bank & Trust	4/04		4 (out of 7)
11. Wheaton Bank & Trust**		9/04	9 (out of 12)
12. Town Bank		10/04	1 (out of 5)
13. State Bank of The Lakes		1/05	1 (out of 6)

\* FDIC deposit market share as of June 30, 2004, for each Wintrust Main Bank Zipcode.

\*\* formerly Northview Bank & Trust’s Wheaton branch

**Wintrust Banks’ Unique Growth Strategies**

Wintrust uses a proven strategic “recipe” for growing our community banks. This unique mix of operating and marketing strategies allow us to position ourselves differently from the big banks in our markets and to better deliver our community bank benefits.

Our unique bank growth strategies include:

- ***Decentralized Management Structure.*** As noted above, Wintrust has multiple community bank groups. The management team at each bank group, which essentially operates like a small bank holding company, has profit responsibilities and the authority to make decisions locally. Versus the more rigid, centralized approach of a big bank, our

local decision making structure results in more flexibility, customized products to better meet local needs, sharper pricing, quicker decisions, more community involvement, and customer service more in tune with local customers and businesses. This allows Wintrust to truly operate real community banks with local roots and local decision making. And it creates an unfair advantage versus the big banks. But who's playing fair!

There are other benefits of this decentralized operating approach. Our separate operating structure also makes it very hard for a systemic problem to significantly impact our performance. If we were to have a significant problem at one bank, this problem would be isolated to one of the bank groups and would not materially affect our overall business. And because we give our management teams the autonomy to really run their banks like small bank holding companies, we are able to attract the best and most entrepreneurial bankers in the area while maintaining exceptional retention rates.

**Where are your Commercial Banking Decisions being made?**

Grand Rapids? Cincinnati? Toronto, or even Timbuktu?

Bank mergers have resulted in big changes for the small bank. Changes are the decisions made not your business loan are being done by computers or an offshore banking staff, or a remote office. So much for the value of a relationship.

At Advantage National Bank, we understand your business needs and want to help you succeed. That's why we make our own decisions about our customers from our state offices. With over 60 years of combined lending experience, you want that a better team of bankers to work with.

Whether it's advice on a business loan, ideas to better manage your company's cash flow, or an introduction to a potential business partner — our employees can help you. After all, that's what a banking relationship is all about.

Let our experienced team of professionals show you why **the best bank for business is Advantage**

**Advantage National Bank**  
Discover the Advantage of Community Banking!  
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www.advantagenationalbank.com  
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• Equipment Financing	• Warehouse Loans
<b>CASH MANAGEMENT SERVICES</b>	
• Accounts Management Services	
• Information Reporting Services	
• Investment Services	
• Account Reconciliation Services	
<b>Collection Services</b>	
• Corporate Lockbox Service (Wholesale or Retail)	
• A/R Credit Collection, Automated Clearing House	
• A/R - Electronic Data Interchange	
• Electronic (e) Remittance Capabilities	
• Check/Money Order Merchant Processing	

**THANKS AGAIN FOR MAKING COMMUNITY BANKING #1!**

On behalf of the Directors and Employees of Hinsdale Bank and Trust, we would like to thank the Downs readers for once again naming us the number one bank in the area. We also thank you for your support and promise to continue delivering our kind of special hometown banking to our customers and community.

**HINSDALE BANK**  
A TRUST COMPANY  
In the heart of Hinsdale with Hinsdale in our heart  
15 East First Street - Hinsdale  
630-323-4434  
www.hinsdalebank.com

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• **Position Our Banks and Branches As Real Community Banks.** Not only do we run our banks locally, but we brand many of our banks and branches

after the local community as well. The Hinsdale Bank & Trust (HB&T) group is a good example, with its branches also positioned locally as Clarendon Hills Bank. The Community Bank of Western Springs, Riverside Bank, and Community Bank of Downers Grove. And we operate each bank and branch as independently as possible.

- **Local Board of Directors and Local Bankers.** Each of our community banks has its own local board of directors to oversee its operations and growth. Those boards are made up of local residents and business people who are leaders and influencers in the community. Their oversight, local contacts and community involvement are keys to making our banks real community banks. We also staff our banks with local bankers, headed up by a management team that knows and is known in the community. Our bankers' local roots are also an important

Jim Thorpe gets the same inventory headaches you do.

That's one of the reasons he understands your business.

**Meet Jim Thorpe:**

Local businessman, family man and president of Crystal Lake Bank and Trust. His day-to-day at the office is probably a lot like yours, filled with obstacles, stress to get out, and long details to pore over. And that's all before lunch.

From tracking and managing to planning and carrying cash, Jim faces the same inventory challenges you do. What's more, he knows how to overcome them and succeed. After all, he's been there. We've, too, been there.

So whether you want help with working capital, cash management, plan and equipment operation, or just to have a cup of coffee with a fellow businessman, give Jim a call.

**CRYSTAL LAKE BANK & TRUST**  
201 N. Milliken Street | Crystal Lake, IL 60144  
815-479-5200  
www.crylakbank.com

part of being a good community bank. It just makes sense—local people like to bank with a local institution staffed with local bankers that understand and better meet their local needs.

Back in 1991, our very first Lake Forest Bank & Trust ad summarized these first three strategies well:

**Why Does Lake Forest Need Another Bank?**

*The new Lake Forest Bank & Trust Company is not just another bank. It's the only bank in Lake Forest that's owned and run by people who live right here in town.*

*That gives us the freedom to do things differently.*

*For example, our deposit rates are set here. So we can be responsive to the special needs of our community. Not to the strategy of some large bank holding company somewhere else.*

*And when you apply for a loan at our bank, it gets approved here...by someone who knows you. Not by some faceless credit committee in another city, state, or even country.*

*Being responsive and supportive. It's all part of our mission to bring real community banking to Lake Forest and Lake Bluff.*

*To make banking intimate instead of intimidating.*

*To create something more than just another bank.*

- **Aggressive Introductory Marketing to Gain Household Penetration and Market Share.** When we launch a *de novo* bank or branch, our desire is to gain the #1 or #2 market share in short order. This quick growth allows us to grow into our overhead and become profitable sooner. To achieve these results, we launch very aggressive introductory marketing programs designed to acquire new customers. We use bundled checking products and attractively priced Certificates of Deposit to wrestle customers away from the big banks. And then we lather them with personal service and cross sell them additional products and services over time.

Banking in Wheaton is about to change forever.



**Exciting Changes are on the Way**

On December 11th, Northern Bank & Trust, Wheaton, together with Wheaton Bank & Trust Company, although our name has changed, our commitment to our customers has not. As the new Wheaton Bank & Trust, we are remodeling our facility in order to provide enhanced convenience and will continue to offer our customers a real "customer bank" serving through local management, a commitment to community involvement, and superior customer service. While we explore our other, please confirm our status, but most of all take advantage of our new 10-Month CD!

At Wheaton Bank & Trust, we believe in the bank that can give you the best service for your money to come. We strongly believe a bank's financial status should be as important to the bank as their size to the public. That's why we will continue to offer products and services specifically created for all sizes from children to grandparents. And we will always work to bring you the most advanced products at the best possible rates and best service.

Join us for our Grand Reopening  
on January 13th.

Take advantage of our  
"Construction Special" CD offer.

**10-Month CD**  
**2.75% APY<sup>1</sup>**

**WHEATON BANK  
& TRUST COMPANY™**

211 S. Wheaton Avenue | Wheaton, IL 60187 | 630-690-1800

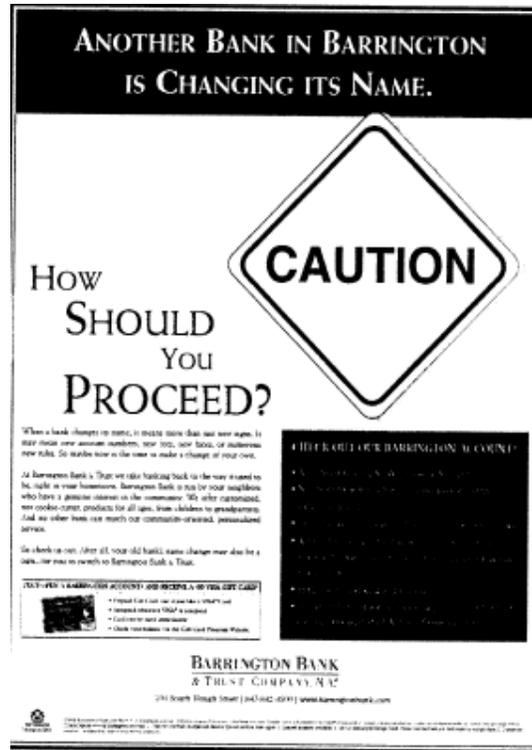
[www.wheatonbank.com](http://www.wheatonbank.com)

APY is calculated on the basis of a 360-day year. Actual APY may vary. APY is based on the actual number of days in the year. APY is based on the actual number of days in the year. APY is based on the actual number of days in the year.



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10/08/08



- **Effective Ongoing “David versus Goliath” Anti-Big Bank Product Marketing.** Scattered throughout this report you’ll see some interesting examples of our advertising. We believe effective advertising needs to be relevant (offer a meaningful benefit), involving (emotional, attention getting), and different (from the big banks). Our best advertising not only sells a product, but positions us, in a human or humorous way, as very “unlike” the other banks.

We execute our advertising strategy through a variety of entertaining, tongue-in-cheek, “pot shots” at the big banks. We use a combination of new ideas and old, tried-and-true favorites which work as well in new markets today as they did thirteen years ago for our first bank. We position our banks and bankers as the good guys that have the best interest of customers at heart and position the competition as the impersonal commoditizers whose only interest is profits. Can you tell we enjoy poking fun and taking market share from our big bank competitors?

### Expanding Wealth Management Distribution

Our second “building block” strategy is the expansion of the Wayne Hummer wealth management distribution channel. Given less than 5% of Wintrust retail bank customers currently have a relationship with Wayne Hummer. And, over two-thirds of our Wintrust bank households have sizeable assets at one of our wealth management competitors. Therefore, the business opportunity to cross sell more of our bank customers wealth management services is tremendous, as is expanding production in Wayne Hummer’s free-standing offices in Chicago and Appleton, Wisconsin.

By early 2005, we have significantly increased our wealth management distribution by adding Wayne Hummer offices in fifteen Illinois and Wisconsin locations. This is up from six offices at the end of 2003. The number of Wayne Hummer offices at Wintrust bank locations was grown from four in 2003 to thirteen in early 2005. We expect to continue to increase the number of new Wayne Hummer locations in 2005.

We have recently had good success hiring experienced brokers from competitive firms. These brokers come to us with established client followings, and as Wayne Hummer Financial Advisors, they will be our sales force for brokerage, asset management and trust services. This creates a fully unified sales and service strategy as our Financial Advisors work along side our trust and asset management staff. Our plan is to eventually hire additional Financial Advisors and form full-service Wayne Hummer teams at each of our banks. We have built this full service team approach into our downtown Wayne Hummer structure as well.

TRUSTED FINANCIAL ADVISORS SINCE 1931.  
AND THEY'RE RIGHT ACROSS THE STREET.



**TOWN BANK**  
of Delafield

**wh** **Wayne Hammer**  
TRUST ADVISOR  
Estate Planning  
RISK MANAGEMENT  
311 Geneva Street  
Delafield, WA 98116  
206.696.9174

Our 2005 marketing plans calls for continuing to build Wayne Hummer brand awareness and brand equity, so that when prospects are introduced to the brand, they are more likely to consider us. We will also invest significant resources in growing the client base of our current Financial Advisors and introducing new Financial Advisors into their markets. 2005 also calls for executing a new multi-faceted program designed to enhance our ability to cross sell bank customers wealth management services.

In 2005, we are also very excited to be introducing a new trading platform that will provide our Financial Advisors with state-of-the-art research and product alternatives and our customers with a variety of new products and services. This new platform will also enhance our ability to attract new Financial Advisors who can now have the best of both worlds—the sophisticated technology of a world class investment firm and the entrepreneurial environment of Wintrust and Wayne Hummer.



### Developing Asset Niches and Other Income Generators

Our third “building block” strategy is the development of asset niches and other income generators. To overcome the limitations that most community banks have with regards to generating enough loans, we augment our community banks’ loan portfolios with non-traditional earning assets. This not only improves the profitability of our community banks, but diversifies our loan portfolios.

To create these additional assets, we operate several non-bank financial services companies and have developed internally a number of non-traditional bank lending functions. These asset niches account for slightly more than 25% of our total loan portfolio. Non-bank asset niches account for 18.4% of total loans while specialty banking asset niches account for 7.7%. These asset generators and other income sources are the “fuel” that helps us continue our strong growth:

<u>Non-Bank Asset Niches</u>	<u>% of Total Loans</u>
• Commercial premium finance lending (FIRST Insurance Funding)	17.7 %
• Temporary staffing industry financing (Tricom)	0.7 %
	18.4 %
 <b><i>Specialty Banking Asset Niches</i></b>	
• Mortgage warehouse lending (HB&T)	1.4 %
• Indirect auto lending (HB&T)	4.0 %
• Condominium and association lending (Community Advantage-BB&T)	1.0 %
• Small craft aviation lending (NorthAmerican Aviation Finance-CLB&T)	1.1 %
• Medical and municipal leasing (LFB&T)	0.2 %
	7.7 %

### Asset Driven Approach

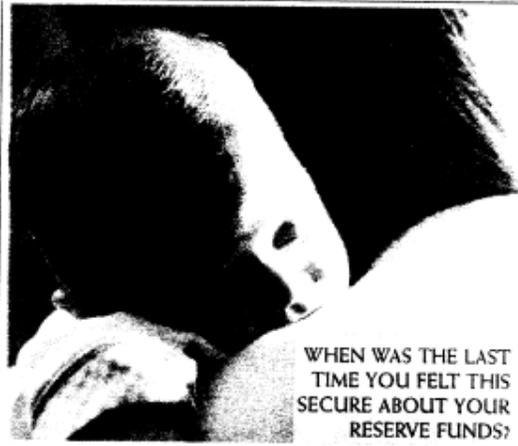
In 2004, we again accomplished our objective of being an “asset driven” organization, generating more loans to fund than we had low cost deposits. That’s one of the benefits of having additional asset generators and is beneficial to the Company for a number of reasons:

- ***To fund our above average growth by investing deposit dollars into higher interest rate loans.*** Excess loan volume allows us to invest new deposit dollars in loans that have higher interest rates than the alternative short-term investments. Excess loan volume allows Wintrust to be more aggressive on bank introductions and in growing our market share with aggressive marketing and deposit pricing;





- Update bank web sites—improve navigation and format;
- Introduce Community Advantage’s MaxSafe® Reserve Account which can provide investment level returns and a maximum of \$1,300,000 in FDIC coverage now that we have our 13th bank;



**WHEN WAS THE LAST TIME YOU FELT THIS SECURE ABOUT YOUR RESERVE FUNDS?**

**LET MAXSAFE® RESERVE ACCOUNT HELP YOU FEEL JUST AS SECURE WITH UP TO \$1,300,000 OF FDIC INSURANCE.**

When added to your 900 Community Advantage accounts, you need a MaxSafe Reserve Account. MaxSafe is the investment grade rate certificate alternative that provides up to \$1,300,000 of FDIC insurance. MaxSafe is the investment grade rate certificate alternative that provides up to \$1,300,000 of FDIC insurance. MaxSafe is the investment grade rate certificate alternative that provides up to \$1,300,000 of FDIC insurance. MaxSafe is the investment grade rate certificate alternative that provides up to \$1,300,000 of FDIC insurance.

To insure a single bank's deposits, the federal deposit insurance fund provides a maximum of \$250,000 per depositor, per insured bank, for each account ownership category. MaxSafe Reserve Accounts are not insured by the FDIC. MaxSafe Reserve Accounts are not insured by the FDIC. MaxSafe Reserve Accounts are not insured by the FDIC. MaxSafe Reserve Accounts are not insured by the FDIC.

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**COMMUNITY ADVANTAGE®**

Member Bank & Trust Division (M&T)

100 South People Street  
Birmingham, AL 35203-1000  
800.368.2747 • www.communityadvantage.com

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**MAXSafe**

Member FDIC

- Roll-out the new customer services platform across our existing banks as appropriate to make gains in personal banking service quality and efficiencies;
- Roll-out the new signature retrieval system at teller lines across our existing banks to obtain efficiencies;

- Roll-out a new e-mail system across all companies improving internal operations and remote e-mail access for better customer services;
- Centralize common banking applications for cost reduction, increase quality control and support efficiencies;
- Perform a product review of existing on-line customer services for competitive feature function and usability. Create an implementation plan for approved recommendations from this review of services;
- Continue the roll-out of Voice Over Internet Protocol telecommunications and video conferencing services for all Wintrust companies, and;
- Evaluate the opportunity to establish a centralized document imaging service for the Wintrust companies. Create an implementation plan for approved recommendation from this evaluation of service.



### **Investor Relations Program**

In 2005, we will continue to execute our investor relations plan which includes presenting at investor conferences, providing interviews and story ideas to financial publications, distributing investor packages to interested investors through various programs, and meetings with interested institutional buyers.

While our company continues to grow, we believe that meeting with analysts and communicating our story is important to creating awareness about our Company and thereby creating demand for our stock. In 2004 alone, our CEO and COO each spent a few weeks of the year visiting with and presenting to various analysts and market makers across the country. Long term this will maintain our earnings multiple and will help us raise capital in a cost effective manner.

### **Annual Meeting**

We hope to see you at our Annual Meeting to be held on Thursday, May 26, 2005, at 10:00 a.m. The location will again be at the Michigan Shores Club located at 911 Michigan Avenue in Wilmette, Illinois.



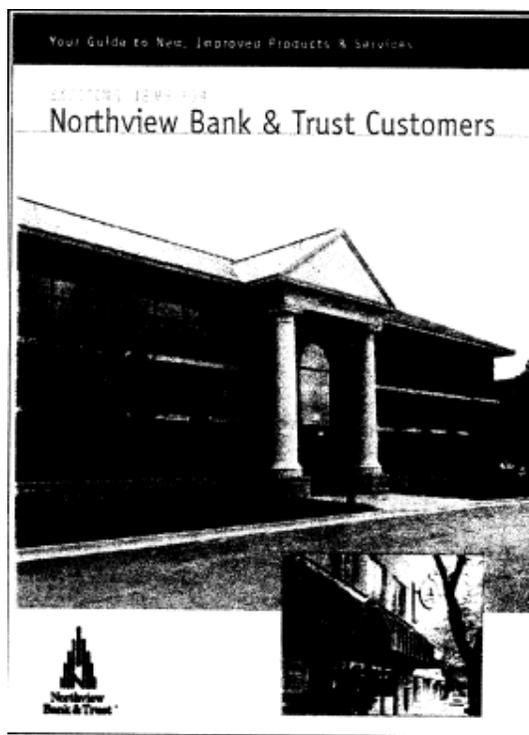
Acquisition Strategy

During the nine years we have been a publicly traded company, acquisitions have always been an important part of our growth strategy. Beginning with our acquisition of Tricom in 1999, we have added 13 businesses to our roster of bank and non-bank companies. The following table summarizes these acquisitions.

<i>Firm</i>	<i>Banking Acquisition Date</i>	<i>Non-Banking Acquisition Date</i>
1. Tricom, Inc.		10/99
2. Wayne Hummer Investments, LLC		2/02
3. Wayne Hummer Asset Management Company		2/02
4. Focused Investments, LLC		2/02
5. Lake Forest Capital Management Co.		2/03
6. Advantage National Bancorp, Inc. (Advantage National Bank)	10/03	
7. Village Bancorp, Inc. (Village Bank)	12/03	
8. SGB Corporation d/b/a WestAmerica Mortgage Co.		5/04
9. Guardian Real Estate Services		5/04
10. Northview Financial Corp. (Northview Bank/Northview Mortgage, LLC)	9/04	
11. Town Bankshares, Ltd. (Town Bank)	10/04	
12. Antioch Holding Company (State Bank of The Lakes)	1/05	
13. First Northwest Bancorp, Inc. (First Northwest Bank)	Pending	

Acquisitions have always been a key strategy for Wintrust to add important strategic assets and create franchise value and earnings value for our shareholders. Our acquisitions have been quality companies with strong management teams and an overall good corporate culture fit. Our acquisitions typically have had limited internal capital which limited their growth opportunities. Once part of our family, we can provide the capital, technology, marketing and financial resources to generate significant earnings and asset growth.

Accretive acquisition activity can be cyclical and will be dictated by the value of our currency, our stock price. As our stock price increases, the value of our currency increases. Trust preferred financing can also be an attractive alternative. With these two sources of capital, we will continue to be on the lookout for accretive acquisitions which can increase our franchise value and earnings value.



## Banking Acquisitions

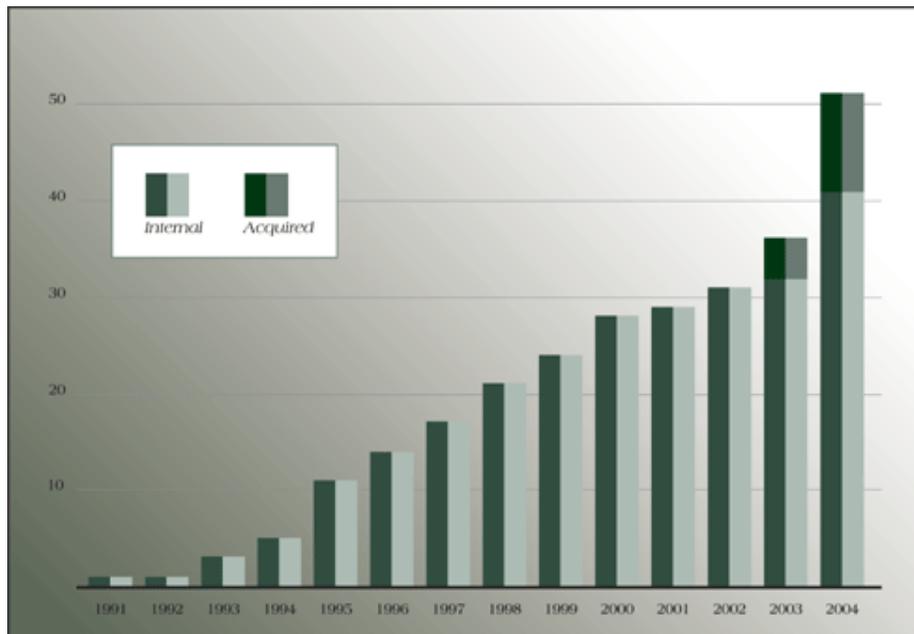
We believe the typical community bank can generally generate loans from local consumers and small businesses that represent about 60% of their lending capacity without compromising credit quality. That's because in most suburban communities, there are more consumer and small business deposit opportunities than there are loans. And most community banks can't overcome this limitation and are unable to grow beyond a certain size. Private shareholders are reluctant to put in more capital to generate growth and begin to look for an exit strategy. That's where Wintrust can help.

In the past few years, we have been approached by many Illinois, Wisconsin and Indiana community banks with the goal of partnering with us by merging their community-based bank or branches into the Wintrust family of banks. Wintrust is a logical partner for many smaller community banks because of the liquidity and value-added operational and marketing benefits we can offer, and the fact that our decentralized management strategy allows the bank to continue to operate locally with their own name and management team.

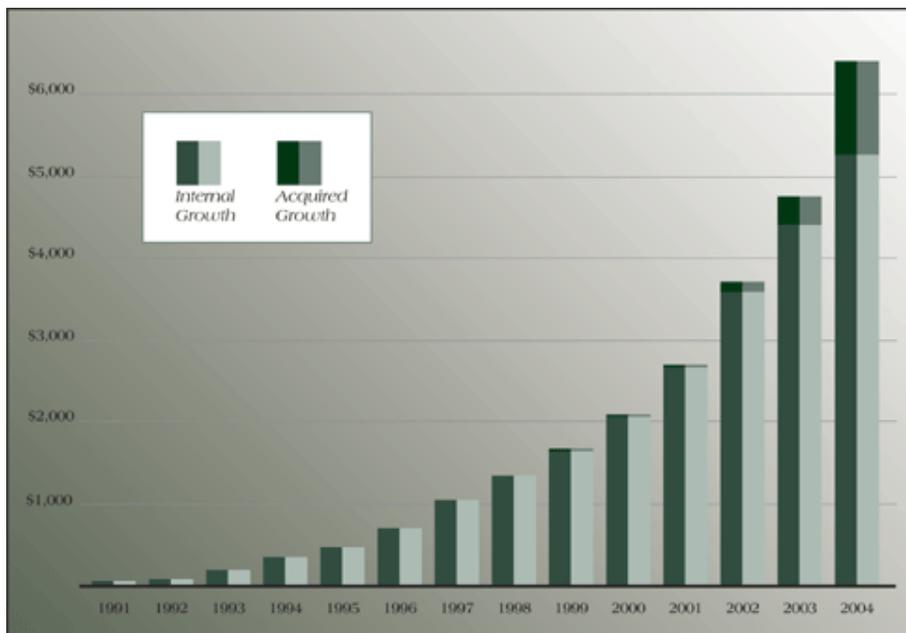
We will continue to add new banks in high opportunity markets, either on a *de novo* basis or by acquisition, depending on the economics. Our new bank acquisitions have already begun to utilize our aggressive marketing approach in 2004, and have significantly grown their market share accordingly.



## Impact of Acquisitions on Banking Facilities by Year



## Impact of Acquisitions on Total Assets by Year (in millions)



### Other Acquisitions

We continue to evaluate additional acquisition opportunities for Wintrust, not only in banking, but wealth management, and asset and fee income generators as well. Wealth management acquisitions will supplement this important service provider and fee generator. And we look to add earning asset niches or related fee income generators, either as start-up operations or through acquisition. This type of growth will add diversified earning asset and fee-based business niches to supplement and diversify Wintrust's banking revenues.

Your management team and Board of Directors are dedicated to being disciplined with regard to pricing potential acquisitions to be accretive to earnings per share. We will keep evaluating potential acquisitions and will update you on our progress.

**Our Bank Brands**



Our Wealth Management Brands



Our Other Brands





*Report on Management's Assessment of Internal Control Over Financial Reporting*

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Wintrust Financial Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with generally accepted accounting principles in the United States and necessarily include some amounts that are based on management's best estimates and judgments.

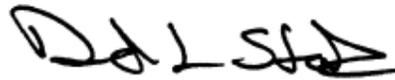
We, as management of Wintrust Financial Corporation, are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with generally accepted accounting principles in the United States. The systems of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management assessed the Corporation's system of internal control over financial reporting as of December 31, 2004, in relation to criteria for the effective internal control over financial reporting as described in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Wheaton Bank and Trust and Town Bank, which are included in our 2004 consolidated financial statements and constituted \$124.8 million and \$308.1 million of total assets, respectively, as of December 31, 2004, \$2.6 million and \$2.7 million of net interest income, respectively, for the year ended December 31, 2004, and \$0.6 million and \$0.8 million of net income, respectively, for the year ended December 31, 2004. We acquired both Wheaton Bank and Trust and Town Bank during 2004.

Based on this assessment, management concludes that, as of December 31, 2004, its system of internal control over financial reporting is effective and meets the criteria of the "Internal Control – Integrated Framework". Ernst & Young LLP, independent registered public accounting firm, has issued an attestation report on management's assessment of the Corporation's internal control over financial reporting.



Edward J. Wehmer  
President and  
Chief Executive Officer



David L. Stoehr  
Executive Vice President &  
Chief Financial Officer

Lake Forest, Illinois  
March 4, 2005

The Board of Directors and Shareholders of Wintrust Financial Corporation

We have audited management's assessment, included in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting, that Wintrust Financial Corporation maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Wintrust Financial Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Report on Management's Assessment of Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Wheaton Bank and Trust and Town Bank, which are included in the 2004 consolidated financial statements of Wintrust Financial Corporation and constituted \$124.8 million and \$308.1 million of total assets, respectively, as of December 31, 2004, \$2.6 million and \$2.7 million of net interest income, respectively, for the year ended December 31, 2004, and \$0.6 million and \$0.8 million of net income, respectively, for the year ended December 31, 2004. Both Wheaton Bank and Trust and Town Bank were acquired by Wintrust Financial Corporation during 2004. Our audit of internal control over financial reporting of Wintrust Financial Corporation also did not include an evaluation of the internal control over financial reporting of Wheaton Bank and Trust and Town Bank.

In our opinion, management's assessment that Wintrust Financial Corporation maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Wintrust Financial Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2004 consolidated financial statements of Wintrust Financial Corporation and our report dated March 4, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP  
Chicago, Illinois  
March 4, 2005

## Consolidated Financial Statements

**WINTRUST FINANCIAL CORPORATION AND  
SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CONDITION**  
*(In thousands)*

	December 31,	
	2004	2003
<b>Assets</b>		
Cash and due from banks	\$ 128,166	111,929
Federal funds sold and securities purchased under resale agreements	47,860	56,620
Interest bearing deposits with banks	4,961	6,228
Available-for-sale securities, at fair value	1,343,477	906,881
Trading account securities	3,599	3,669
Brokerage customer receivables	31,847	33,912
Mortgage loans held-for-sale	104,709	24,041
Loans, net of unearned income	4,348,346	3,297,794
Less: Allowance for loan losses	34,227	25,541
Net loans	4,314,119	3,272,253
Premises and equipment, net	185,926	156,714
Accrued interest receivable and other assets	129,702	123,063
Goodwill	113,461	48,490
Other intangible assets	11,221	3,598
<b>Total assets</b>	<b>\$6,419,048</b>	<b>4,747,398</b>
<b>Liabilities and Shareholders' Equity</b>		
Deposits:		
Non-interest bearing	\$ 505,312	360,666
Interest bearing	4,599,422	3,515,955
Total deposits	5,104,734	3,876,621
Notes payable	1,000	26,000
Federal Home Loan Bank advances	303,501	144,026
Other borrowings	201,924	78,069
Subordinated notes	50,000	50,000
Long-term debt — trust preferred securities	204,489	96,811
Accrued interest payable and other liabilities	79,488	126,034
<b>Total liabilities</b>	<b>5,945,136</b>	<b>4,397,561</b>
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, of which 100,000 shares are designated as Junior Serial Preferred Stock A; no shares issued and outstanding at December 31, 2004 and 2003	—	—
Common stock, no par value; \$1.00 stated value; 30,000,000 shares authorized; 21,728,548 and 20,066,265 shares issued at December 31, 2004 and 2003, respectively	21,729	20,066
Surplus	319,147	243,626
Common stock warrants	828	1,012
Retained earnings	139,566	92,301
Accumulated other comprehensive loss	(7,358)	(7,168)
<b>Total shareholders' equity</b>	<b>473,912</b>	<b>349,837</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$6,419,048</b>	<b>4,747,398</b>

See accompanying Notes to Consolidated Financial Statements

**WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**
*(In thousands, except per share data)*

	Years Ended December 31,		
	2004	2003	2002
<b>Interest income</b>			
Interest and fees on loans	<b>\$218,298</b>	174,478	158,314
Interest bearing deposits with banks	<b>80</b>	127	45
Federal funds sold and securities purchased under resale agreements	<b>934</b>	2,037	1,774
Securities	<b>40,891</b>	25,869	19,797
Trading account securities	<b>130</b>	150	165
Brokerage customer receivables	<b>1,413</b>	1,330	2,138
Total interest income	<b>261,746</b>	203,991	182,233
<b>Interest expense</b>			
Interest on deposits	<b>83,135</b>	67,963	70,061
Interest on Federal Home Loan Bank advances	<b>8,070</b>	5,932	4,954
Interest on notes payable and other borrowings	<b>2,358</b>	2,562	3,854
Interest on subordinated notes	<b>2,891</b>	2,486	305
Interest on long-term debt - trust preferred securities	<b>7,468</b>	4,556	4,931
Total interest expense	<b>103,922</b>	83,499	84,105
<b>Net interest income</b>	<b>157,824</b>	120,492	98,128
Provision for loan losses	<b>6,298</b>	10,999	10,321
Net interest income after provision for loan losses	<b>151,526</b>	109,493	87,807
<b>Non-interest income</b>			
Wealth management fees	<b>31,656</b>	28,871	25,229
Mortgage banking revenue	<b>18,250</b>	16,718	13,271
Service charges on deposit accounts	<b>4,100</b>	3,525	3,121
Gain on sales of premium finance receivables	<b>7,347</b>	4,911	3,374
Administrative services revenue	<b>3,984</b>	4,151	3,501
Fees from covered call and put options	<b>11,121</b>	7,873	5,959
Net available-for-sale securities gains	<b>1,863</b>	642	107
Other	<b>7,131</b>	5,901	6,110
Total non-interest income	<b>85,452</b>	72,592	60,672
<b>Non-interest expense</b>			
Salaries and employee benefits	<b>94,049</b>	74,775	63,442
Equipment	<b>9,074</b>	7,957	7,191
Occupancy, net	<b>10,083</b>	7,436	6,691
Data processing	<b>5,560</b>	4,304	4,161
Advertising and marketing	<b>3,403</b>	2,215	2,302
Professional fees	<b>5,376</b>	3,342	2,801
Amortization of other intangible assets	<b>1,110</b>	640	324
Other	<b>27,436</b>	22,072	19,072
Total non-interest expense	<b>156,091</b>	122,741	105,984
Income before income taxes	<b>80,887</b>	59,344	42,495
Income tax expense	<b>29,553</b>	21,226	14,620
<b>Net income</b>	<b>\$ 51,334</b>	38,118	27,875
<b>Net income per common share — Basic</b>	<b>\$ 2.49</b>	2.11	1.71
<b>Net income per common share — Diluted</b>	<b>\$ 2.34</b>	1.98	1.60

*See accompanying Notes to Consolidated Financial Statements*

**WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
*(In thousands, except share data)*

	Compre- hensive income (loss)	Common stock	Surplus	Common stock warrants	Treasury stock	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 2001		\$14,532	97,956	99	—	30,995	(2,304)	141,278
Comprehensive income:								
Net income	\$27,875	—	—	—	—	27,875	—	27,875
Other comprehensive income, net of tax:								
Unrealized gains on securities, net of reclassification adjustment	1,994	—	—	—	—	—	1,994	1,994
Unrealized losses on derivative instruments	(566)	—	—	—	—	—	(566)	(566)
Comprehensive Income	29,303							
Cash dividends declared on common stock		—	—	—	—	(1,903)	—	(1,903)
Purchase of fractional shares resulting from stock split		—	(10)	—	—	—	—	(10)
Common stock issued for:								
New issuance, net of costs		1,363	35,149	—	—	—	—	36,512
Acquisition of Wayne Hummer Companies		763	14,237	—	—	—	—	15,000
Exercise of stock options		492	5,012	—	—	—	—	5,504
Employee stock purchase plan		34	940	—	—	—	—	974
Exercise of common stock warrants		28	267	(18)	—	—	—	277
Director compensation plan		4	63	—	—	—	—	67
Balance at December 31, 2002		17,216	153,614	81	—	56,967	(876)	227,002
Comprehensive income:								
Net income	38,118	—	—	—	—	38,118	—	38,118
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(7,151)	—	—	—	—	—	(7,151)	(7,151)
Unrealized gains on derivative instruments	859	—	—	—	—	—	859	859
Comprehensive Income	31,826							
Cash dividends declared on common stock		—	—	—	—	(2,784)	—	(2,784)
Purchase of 600 shares of common stock		—	—	—	(17)	—	—	(17)
Common stock issued for:								
New issuance, net of costs		1,377	44,767	—	—	—	—	46,144
Business combinations		1,010	36,691	950	—	—	—	38,651
Exercise of stock options		347	6,044	—	17	—	—	6,408
Employee stock purchase plan		36	1,193	—	—	—	—	1,229
Restricted stock awards		37	832	—	—	—	—	869
Exercise of common stock warrants		38	362	(19)	—	—	—	381
Director compensation plan		5	123	—	—	—	—	128
Balance at December 31, 2003		20,066	243,626	1,012	—	92,301	(7,168)	349,837
Comprehensive income:								
Net income	51,334	—	—	—	—	51,334	—	51,334
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(353)	—	—	—	—	—	(353)	(353)
Unrealized gains on derivative instruments	163	—	—	—	—	—	163	163
Comprehensive Income	\$51,144							
Cash dividends declared on common stock		—	—	—	—	(4,069)	—	(4,069)
Common stock issued for:								
Business combinations		1,035	58,903	—	—	—	—	59,938

Exercise of stock options	474	13,004	—	—	—	—	13,478
Employee stock purchase plan	27	1,303	—	—	—	—	1,330
Restricted stock awards	28	907	—	—	—	—	935
Exercise of common stock warrants	94	1,236	(184)	—	—	—	1,146
Director compensation plan	5	168	—	—	—	—	173
<b>Balance at December 31, 2004</b>	<b>\$21,729</b>	<b>319,147</b>	<b>828</b>	<b>—</b>	<b>139,566</b>	<b>(7,358)</b>	<b>473,912</b>

*See accompanying Notes to Consolidated Financial Statements.*

**WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Years Ended December 31,		
	2004	2003	2002
<b>Operating Activities:</b>			
Net income	\$ 51,334	38,118	27,875
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Provision for loan losses	6,298	10,999	10,321
Depreciation and amortization	9,805	9,663	8,611
Deferred income tax expense	2,956	812	1,176
Tax benefit from exercises of stock options	8,671	3,579	2,809
Net amortization of premium on securities	2,259	1,358	3,133
Originations and purchases of mortgage loans held-for-sale	(1,520,848)	(1,317,878)	(990,713)
Proceeds from sales of mortgage loans held-for-sale	1,571,524	1,397,996	955,430
Gain on sales of premium finance receivables	(7,347)	(4,911)	(3,374)
Decrease (increase) in trading securities, net	70	1,889	(747)
Net decrease in brokerage customer receivables	2,065	3,680	25,390
Gain on mortgage loans sold	(11,117)	(13,712)	(12,259)
Gain on sales of available-for-sale securities, net	(1,863)	(642)	(107)
(Gain) loss on sales of premises and equipment, net	(535)	217	101
Decrease (increase) in accrued interest receivable and other assets, net	8,515	(18,970)	(10,799)
Increase in accrued interest payable and other liabilities, net	2,744	25,291	42,359
<b>Net Cash Provided by Operating Activities</b>	<b>124,531</b>	<b>137,489</b>	<b>59,206</b>
<b>Investing Activities:</b>			
Proceeds from maturities of available-for-sale securities	179,643	1,000,129	491,601
Proceeds from sales of available-for-sale securities	922,732	3,302,782	2,794,029
Purchases of available-for-sale securities	(1,477,226)	(4,643,322)	(3,447,617)
Proceeds from sales of premium finance receivables	495,720	273,715	311,225
Net cash (paid for) provided from acquisitions	(7,433)	19,041	(7,738)
Net decrease (increase) in interest bearing deposits with banks	16,769	(1,076)	(3,434)
Net increase in loans	(1,114,479)	(878,710)	(851,831)
Purchases of Bank Owned Life Insurance	(7,861)	—	(41,144)
Purchases of premises and equipment, net	(30,606)	(41,148)	(27,373)
<b>Net Cash Used for Investing Activities</b>	<b>(1,022,741)</b>	<b>(968,589)</b>	<b>(782,282)</b>
<b>Financing Activities:</b>			
Increase in deposit accounts	679,237	620,814	774,488
Increase (decrease) in other borrowings, net	22,236	24,155	(29,015)
Decrease in notes payable, net	(25,000)	(18,025)	(2,550)
Increase (decrease) from Federal Home Loan Bank advances	136,000	(2,000)	50,000
Net proceeds from issuance of long-term debt - trust preferred securities	90,000	45,000	—
Proceeds from issuance of subordinated notes	—	25,000	25,000
Issuance of common stock, net of issuance costs	—	46,144	36,512
Issuance of common stock resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	7,283	4,440	3,946
Purchases of common stock, including fractional shares from stock split	—	(17)	(10)
Dividends paid	(4,069)	(2,784)	(1,903)
<b>Net Cash Provided by Financing Activities</b>	<b>905,687</b>	<b>742,727</b>	<b>856,468</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>7,477</b>	<b>(88,373)</b>	<b>133,392</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>168,549</b>	<b>256,922</b>	<b>123,530</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 176,026</b>	<b>168,549</b>	<b>256,922</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest	\$ 102,387	83,375	83,531
Income taxes, net	18,365	17,728	10,568
Acquisitions:			
Fair value of assets acquired, including cash and cash equivalents	722,057	198,008	76,458
Value ascribed to goodwill and other intangible assets	72,821	26,297	16,670
Fair value of liabilities assumed	686,281	182,201	64,514
<b>Non-cash investing activities:</b>			
Common stock issued for acquisitions	59,938	38,651	15,000
Transfer to other real estate owned from loans	1,819	1,200	756



**Description of the Business**

Wintrust Financial Corporation (“Wintrust” or “Company”) is a financial holding company currently engaged in the business of providing community banking services, wealth management services, financing of commercial insurance premiums, financing of high-yielding short-term accounts receivables and certain administrative services, such as data processing of payrolls, billing and cash management services. Wintrust provides banking services to customers in the Chicago metropolitan area and Southern Wisconsin through its twelve wholly-owned banking 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 Company, N.A. (“Beverly Bank”). The Company acquired Advantage National Bancorp, Inc. and its wholly-owned subsidiary, Advantage National Bank (“Advantage Bank”), in October 2003, Village Bancorp, Inc. and its wholly-owned subsidiary, Village Bank & Trust -Arlington Heights (“Village Bank”), in December 2003, Northview Financial Corporation and its wholly owned subsidiary, Northview Bank and Trust (which has subsequently been renamed Wheaton Bank & Trust Company (“Wheaton Bank”)) in September 2004 and Town Bank-shares, Ltd. and its wholly-owned subsidiary Town Bank in October 2004. The four banks acquired in 2003 and 2004 were started as *de novo* banks — Advantage Bank in 2001, Village Bank in 1995, Northview Bank in 1993 and Town Bank in 1998. In January 2005, Wintrust added its thirteenth bank subsidiary with the acquisition of Antioch Holding Company, parent company of State Bank of The Lakes. In addition to providing mortgage banking operations through its Banks, Wintrust originates and purchases residential mortgages for sale into the secondary market through SGB Corporation d/b/a WestAmerica Mortgage Company (“WestAmerica”) and provides document preparation and other loan closing services to WestAmerica and a network of mortgage brokers through Guardian Real Estate Services, Inc. (“Guardian”) WestAmerica maintains principal origination offices in seven states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica and Guardian were acquired by Wintrust in May 2004 and are wholly-owned subsidiaries of Barrington Bank. Wintrust also owns and operates Northview Mortgage, LLC, which it acquired in connection with its acquisition of Northview Financial Corporation in September 2004. 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, municipal and tax-exempt organizations, as well as a proprietary mutual 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. WHI, Focused and WHAMC were acquired by Wintrust in 2002 and are referred to as the “Wayne Hummer Companies”. Wintrust provides trust and investment services to each of the Banks through its wholly-owned subsidiary, Wayne Hummer Trust Company, N.A. (“WHTC”) Wintrust provides financing for the payment of commercial insurance premiums (“premium finance receivables”), on a national basis, through First Insurance Funding Corp. (“FIFC”), a wholly-owned subsidiary of Crabtree Capital Corporation (“Crabtree”), which is a wholly-owned subsidiary of Lake Forest Bank. Tricom, Inc. (“Tricom”), a wholly-owned subsidiary of Hinsdale Bank, 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. Wintrust Information Technology Services Company (“WITS”) provides information technology support, item capture and statement preparation services to the Wintrust subsidiaries and is a wholly-owned subsidiary of Wintrust.

**(1) Summary of Significant Accounting Policies**

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

### *Principles of Consolidation*

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

### *Earnings per Share*

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

### *Business Combinations*

Business combinations are accounted for by the purchase method of accounting. Under the purchase method, net assets of the business acquired are recorded at their estimated fair value as of the date of acquisition with any excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired recorded as goodwill. Results of operations of the acquired business are included in the income statement from the effective date of acquisition.

### *Cash Equivalents*

For purposes of the consolidated statements of cash flows, Wintrust considers cash on hand, cash items in the process of collection, non-interest bearing amounts due from correspondent banks, federal funds sold and securities purchased under resale agreements with original maturities of three months or less, to be cash equivalents.

### *Securities*

The Company classifies securities upon purchase in one of three categories: trading, held-to-maturity, or available-for-sale. Trading securities are bought principally for the purpose of selling them in the near term. Held-to-maturity securities are those debt securities in which the Company has the ability and positive intent to hold until maturity. All other securities are currently classified as available-for-sale as they may be sold prior to maturity.

Held-to-maturity securities are stated at amortized cost, which represents actual cost adjusted for premium amortization and discount accretion using methods that approximate the effective interest method. Available-for-sale securities are stated at fair value. Unrealized gains and losses on available-for-sale securities, net of related taxes, are included as accumulated other comprehensive income and reported as a separate component of shareholders' equity.

Trading account securities are stated at fair value. Realized and unrealized gains and losses from sales and fair value adjustments are included in other non-interest income.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary is charged to earnings, resulting in the establishment of a new cost basis for the security. Interest and dividends, including amortization of premiums and accretion of discounts, are recognized as interest income when earned. Realized gains and losses for securities classified as available-for-sale are included in non-interest income and are derived using the specific identification method for determining the cost of securities sold.

### *Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements*

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

### *Brokerage Customer Receivables*

The Company extends credit to its brokerage customers to finance their purchases of securities on margin. The Company receives income from interest charged on such extensions of credit. Brokerage customer receivables represent amounts due on margin balances. Securities owned by customers are held as collateral for these receivables.

### *Loans and Allowance for Loan Losses*

Loans, which include premium finance receivables, Tricom finance receivables and lease financing, are generally reported at the principal amount outstanding, net of unearned income. Interest income is recognized when earned. Loan origination fees and certain direct origination costs associated with loans retained in the portfolio are deferred and amortized over the expected life of the loan as an adjustment to the yield using methods that

approximate the effective interest method. Finance charges on premium finance receivables are earned over the term of the loan based on actual funds outstanding, beginning with the funding date, using a method which approximates the effective yield method.

Mortgage loans held-for-sale are carried at the lower of aggregate cost or market. Gains from the sale of these loans into the secondary market are included in non-interest income.

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

The allowance for loan losses is maintained 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. Management also considers trends and the composition of the loan portfolio, including industry concentrations, geographical concentrations, levels of delinquencies, historical loss experience (including the seasoning of the loan portfolio), changes in trends in risk ratings assigned to loans and changes in underwriting standards and other pertinent factors, including regulatory guidance and general economic conditions. 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 and 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 income based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly and more frequently if deemed necessary.

In estimating expected losses, the Company evaluates loans for impairment in accordance with Statement of Financial Accounting Standard ("SFAS") 114, "Accounting by Creditors for Impairment of a Loan." A loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due. Impaired loans are generally considered by the Company to be commercial and commercial real estate loans that are non-accrual loans, restructured loans or loans with principal and/or interest at risk, even if the loan is current with all payments of principal and interest. Impairment is measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral less costs to sell. If the estimated fair value of the loan is less than the recorded book value, a valuation allowance is established as a component of the allowance for loan losses.

#### *Mortgage Servicing Rights*

The Company originates mortgage loans for sale to the secondary market, the majority of which are sold without retaining servicing rights. There are certain loans, however, that are originated and sold to a governmental agency, with servicing rights retained. Mortgage servicing rights associated with loans originated and sold, where servicing is retained, are capitalized at the time of sale and included in other assets in the consolidated statements of condition. The total cost of loans sold is allocated between the loan balance and the servicing asset based on their relative fair values. The capitalized value of loan servicing rights is amortized in proportion to, and over the period of, estimated net future servicing revenue. Mortgage servicing rights are carried at the lower of the initial carrying value, adjusted for amortization, or estimated fair value. The carrying values are periodically evaluated for impairment. For purposes of measuring impairment, the servicing rights are stratified into pools based on product type and interest rate. Impairment represents the excess of the remaining capitalized cost of a stratified pool over its fair value, and is recorded through a valuation allowance. The fair value of each servicing rights pool is calculated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that pool, given current market conditions. Estimates of fair value include assumptions about prepayment speeds, interest rates and other factors which are subject to change over time. Changes in these underlying assumptions could cause the fair value of mortgage servicing rights, and the related valuation allowance, if any, to change significantly in the future.

*Sales of Premium Finance Receivables*

Transfers of premium finance receivables to an unrelated third party are recognized as sales in accordance with SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." The Company recognizes as a gain or loss the difference between the proceeds received and the allocated cost basis of the loans. The allocated cost basis of the loans is determined by allocating the Company's initial investment in the loan between the loan and the Company's retained interests, based on their relative fair values. The retained interests include assets for the servicing rights and interest only strip and a liability for the Company's guarantee obligation pursuant to the terms of the sale agreement. The servicing assets and interest only strips are included in other assets and the liability for the guarantee obligation is included in other liabilities. If actual cash flows are less than estimated, the servicing assets and interest only strips would be impaired and charged to earnings. Loans sold in these transactions have terms of less than twelve months, resulting in minimal prepayment risk. 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.

*Administrative Services Revenue*

Administrative services revenue is recognized as services are performed, in accordance with the accrual method of accounting. These services include providing data processing of payrolls, billing and cash management services to Tricom's clients in the temporary staffing services industry.

*Rental Income from Equipment Leases*

Rental income from equipment leases owned by the Company is accrued over the period earned and recorded in other non-interest income. Rental income is not accrued on leases where management has determined that the lessees may be unable to meet contractual obligations under the lease agreement, or where payments are 90 days or more delinquent, unless the lease contracts are adequately secured and in the process of collection.

*Premises and Equipment*

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Useful lives range from two to ten years for furniture, fixtures and equipment, two to five years for software and computer-related equipment and seven to 50 years for buildings and improvements. Land improvements are amortized over a period of 15 years and leasehold improvements are amortized over the term of the respective lease. Land and antique furnishings and artwork are not subject to depreciation. Expenditures for major additions and improvements are capitalized, and maintenance and repairs are charged to expense as incurred. Internal costs related to the configuration and installation of new software and the modification of existing software that provides additional functionality are capitalized. Equipment owned that is leased to customers under leasing contracts characterized as operating leases is also included in premises and equipment.

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

*Other Real Estate Owned*

Other real estate owned is comprised of real estate acquired in partial or full satisfaction of loans and is included in other assets. Other real estate owned is recorded at its estimated fair value less estimated selling costs at the date of transfer, with any excess of the related loan balance over the fair value less expected selling costs charged to the allowance for loan losses. Subsequent changes in value are reported as adjustments to the carrying amount and are recorded in other non-interest expense. Gains and losses upon sale, if any, are also charged to other non-interest income or expense, as appropriate. The Company had no other real estate owned at December 31, 2004. At December 31, 2003, other real estate owned totaled \$368,000.

*Goodwill and Other Intangible Assets*

Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. In accordance with SFAS 142, "Goodwill and Other Intangible Assets," goodwill is not amortized, but rather is tested at least annually for

impairment. Intangible assets which have finite lives are amortized over their estimated useful lives and also are subject to impairment testing. All of the Company's other intangible assets have finite lives and are amortized over varying periods not exceeding ten years.

#### *Bank-Owned Life Insurance*

The Company owns bank-owned life insurance ("BOLI") on certain executives. BOLI balances are recorded at their cash surrender values and are included in other assets. Changes in the cash surrender values are included in non-interest income.

#### *Derivative Instruments*

The Company enters into derivative transactions principally to protect against the risk of adverse price or interest rate movements on the future cash flows or the value of certain assets and liabilities. The Company is also required to recognize certain contracts and commitments, including certain commitments to fund mortgage loans held-for-sale, as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. The Company accounts for derivatives in accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that all derivative instruments be recorded in the statement of condition at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset or liability attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. The Company formally documents relationships between derivative instruments and hedged items, as well as its risk-management objective and strategy for undertaking each hedge transaction.

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

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

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

Derivative instruments that do not qualify as hedges pursuant to SFAS 133 are reported on the statement of condition at fair value and the changes in fair value are recognized in earnings as non-interest income or non-interest expense, as appropriate, during the period of the change.

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

Periodically, the Company sells options to an unrelated bank or dealer for the right to purchase certain securities held within the Banks' investment portfolios or the right to sell U.S. Treasury or agency securities deemed appropriate for the Banks' investment portfolios to the Company at predetermined prices. These option transactions are designed primarily to increase the total return associated with holding these securities as earning assets. These transactions do not qualify as hedges pursuant to SFAS 133 and, accordingly, changes in fair values of these contracts, are reported in other non-interest income. There were no covered call or put options outstanding as of December 31, 2004 or 2003.

*Long-term Debt — Trust Preferred Securities Offering Costs*

In connection with the Company's issuances of the Long-term debt — trust preferred securities, approximately \$3.3 million of offering costs were incurred, including underwriting fees, legal and professional fees, and other costs. These costs are included in other assets and are being amortized over a ten year period as an adjustment to interest expense using a method that approximates the effective interest method. As of December 31, 2004, the unamortized balance of these costs was approximately \$1.8 million. See Note 15 for further information about the Long-term debt — trust preferred securities.

*Trust Assets, Assets Under Management and Brokerage Assets*

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

*Income Taxes*

Wintrust and its subsidiaries file a consolidated Federal income tax return. The subsidiaries provide for income taxes on a separate return basis and remit to Wintrust amounts determined to be currently payable.

Income tax expense is recorded based on the liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates in effect for the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

*Stock-Based Compensation Plans*

The Company follows Accounting Principles Board (APB) Opinion 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," rather than the expense recognition provisions of SFAS 123, as allowed by the statement. Compensation expense for restricted share awards is ratably recognized over the required period of service, usually the restricted period, based on the fair value of the stock on the date of grant.

Had compensation cost for the Company's stock option plan been determined based on the fair value at the date of grant consistent with the recognition method of SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Years Ended December 31,		
	2004	2003	2002
Net income:			
As reported	\$ 51,334	38,118	27,875
Pro forma	49,030	36,762	26,651
Earnings per share — Basic:			
As reported	\$ 2.49	2.11	1.71
Pro forma	2.37	2.04	1.63
Earnings per share — Diluted:			
As reported	\$ 2.34	1.98	1.60
Pro forma	2.23	1.91	1.53

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 was originally developed for use in estimating the fair value of traded options. The Company's stock options have characteristics that are significantly different from traded options, including vesting provisions and trading limitations that impact their liquidity. The Black-Scholes option-pricing model is also sensitive to changes in the assumptions, which can materially affect the fair value estimates. Therefore, the Black-Scholes options-pricing model does not necessarily provide a reliable measure of the fair value of employee stock options. As a result, the pro forma amounts indicated above may not be representative of the effects on reported net income for future years. The following weighted average assumptions were used in the option-pricing model to determine the fair value of options granted:

	Years Ended December 31,		
	2004	2003	2002
Expected dividend yield	0.4%	0.4%	0.5%
Expected volatility	22.9	25.2	26.1
Risk-free rate	4.1	3.8	4.4
Expected option life (in years)	8.4	8.4	8.5

Weighted average grant-date per share fair value of options

\$ 19.63

15.82

8.67

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### *Advertising Costs*

Advertising costs are expensed in the period in which they are incurred.

### *Start-up Costs*

Start-up and organizational costs are expensed in the period in which they are incurred.

### *Comprehensive Income*

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale, net of deferred taxes, and adjustments related to cash flow hedges, net of deferred taxes.

## **(2) Recent Accounting Pronouncements**

### *Shared-Based Payment*

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.” The approach in SFAS 123R is similar to the approach described in SFAS 123. However, 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. The provisions of this statement will become effective July 1, 2005. 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 in Note 1. Wintrust expects to adopt SFAS 123R on July 1, 2005.

### *Meaning of Other Than Temporary Impairment*

In March 2004, FASB and the Emerging Issues Task Force (EITF) released Issue 03-1, “Meaning of Other Than Temporary Impairment,” which addressed other-than-temporary impairment for certain debt and equity investments. The recognition and measurement requirements of Issue 03-1, and other disclosure requirements not already implemented, were effective for periods beginning after June 15, 2004. In September 2004, the FASB staff issued FASB Staff Position (FSP) EITF 03-1-1, which delayed the effective date for certain measurement and recognition guidance contained in Issue 03-1. The FSP requires the application of pre-existing other-than-temporary guidance during the period of the delay until a final consensus is reached. Management does not anticipate the issuance of the final consensus will have a material impact of financial condition, the results of operations, or liquidity.

### *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*

In December 2003, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 03-3, “Accounting for Certain Loans or Debt Securities Acquired in a Transfer.” SOP 03-3 requires acquired loans, including debt securities, to be recorded at the amount of the purchaser’s initial investment and prohibits carrying over valuation allowance from the seller for those individually-evaluated loans that have evidence of deterioration in credit quality since origination, and it is probable all contractual cash flows on the loan will be unable to be collected. SOP 03-3 also requires the excess of all undiscounted cash flows expected to be collected at acquisition over the purchaser’s initial investment to be recognized as interest income on a level-yield basis over the life of the loan. Subsequent increases in cash flows expected to be collected are recognized prospectively through an adjustment of the loan’s yield over its remaining life, while subsequent decreases are recognized as impairment. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. The guidance is effective for loans acquired in fiscal years beginning after December 15, 2004 and is not expected to have a material impact on financial condition, results of operations, or liquidity.

### *Consolidation of Variable Interest Entities*

In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), “Consolidation of Variable Interest Entities,” which provides guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE are to be included in an entity’s consolidated financial statements. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity



investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics include the direct or indirect ability to make decisions about an entity's activities through voting rights or similar rights, the obligation to absorb the expected losses of an entity if they occur, or the right to receive the expected residual returns of the entity if they occur. The provisions of this Interpretation were effective upon issuance for new VIEs and for fiscal years ending after December 15, 2003, for existing VIEs. During 2003, the Company applied the provisions of FIN 46 to two newly formed wholly-owned subsidiary trusts formed for purposes of issuing trust preferred securities, and accordingly, these trusts were not consolidated.

In December 2003, the FASB reissued FIN 46 with certain modifications and clarifications. Application of this guidance was effective for interests in certain VIEs commonly referred to as special-purpose entities as of December 31, 2003. Application for all other types of entities was deferred until periods ending after March 15, 2004, unless previously applied. Accordingly in the first quarter of 2004, the Company deconsolidated its interests in two subsidiary trusts formed in 1998 and 2000 for purposes of issuing trust preferred securities. The deconsolidation had no material effect on the Company's consolidated financial statements.

Management evaluated the applicability of FIN 46 to various other investments and interests and believes that FIN 46 is not applicable to any of these investments or interests.

### (3) Available-for-Sale Securities

A summary of the available-for-sale securities portfolio presenting carrying amounts and gross unrealized gains and losses as of December 31, 2004 and 2003 is as follows (in thousands):

	December 31, 2004				December 31, 2003			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	\$ 142,455	6	(1,754)	140,707	56,663	53	(1,786)	54,930
U.S. Government agencies	550,524	304	(4,941)	545,887	310,070	741	(1,083)	309,728
Municipal	25,481	—	(69)	25,412	11,326	85	(47)	11,364
Corporate notes and other debt	8,455	—	(126)	8,329	35,248	486	(326)	35,408
Mortgage-backed	539,074	219	(5,567)	533,726	403,133	74	(9,968)	393,239
Federal Reserve/FHLB stock and other equity securities	89,286	130	—	89,416	101,029	1,183	—	102,212
<b>Total available-for-sale securities</b>	<b>\$1,355,275</b>	<b>659</b>	<b>(12,457)</b>	<b>1,343,477</b>	<b>917,469</b>	<b>2,622</b>	<b>(13,210)</b>	<b>906,881</b>

The following table presents the portion of the Company's available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2004 (in thousands):

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury	\$106,813	(441)	29,107	(1,313)	135,920	(1,754)
U.S. Government agencies	493,642	(4,427)	19,475	(514)	513,117	(4,941)
Municipal	8,912	(69)	—	—	8,912	(69)
Corporate notes and other debt	—	—	8,330	(126)	8,330	(126)
Mortgage-backed	216,433	(781)	210,510	(4,786)	426,943	(5,567)
Federal Reserve/FHLB stock and other equity securities	—	—	—	—	—	—
<b>Total available-for-sale securities</b>	<b>\$825,800</b>	<b>(5,718)</b>	<b>267,422</b>	<b>(6,739)</b>	<b>1,093,222</b>	<b>(12,457)</b>

Management does not believe any individual unrealized loss as of December 31, 2004 represents an other-than-temporary impairment. The fair value of available-for-sale securities includes investments totaling \$267 million with unrealized

losses of \$6.7 million, which have been in an unrealized loss position for greater than 12 months. U.S. Treasury, U.S. Government agencies and Mortgage-backed securities totaling \$259 million with unrealized losses of \$6.6 million are primarily fixed-rate investments with temporary impairment resulting from increases in interest rates since the purchase of the investments. The Company has the ability to hold these investments until such time as the value recovers or maturity. The Company also held four floating rate trust preferred securities issued by large U.S. financial services holding companies (totaling \$8.3 million with \$126,000 of unrealized losses) at December 31, 2004. The fair value of these four investments increased by \$158,000 since December 31, 2003. Management believes the temporary impairment in fair value was caused by widening credit spreads on these types of investments since the date the securities were acquired. The trust preferred securities were purchased by the Company in April 1999. The four trust preferred securities have Moody's ratings ranging from A1 to Aa3. Management believes that the risk of loss of principal or interest on these securities is very low and has the ability to hold these securities until such time as the value recovers or maturity.

The amortized cost and fair value of securities as of December 31, 2004 and 2003, by contractual maturity, are shown in the following table. Contractual maturities may differ from actual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Mortgage-backed securities are not included in the maturity categories in the following maturity summary as actual maturities may differ from contractual maturities because the underlying mortgages may be called or prepaid without penalties (in thousands):

	December 31, 2004		December 31, 2003	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 134,875	134,054	21,111	21,202
Due in one to five years	210,712	208,990	304,146	304,503
Due in five to ten years	369,338	365,426	67,015	64,616
Due after ten years	11,990	11,865	21,035	21,109
Mortgage-backed	539,074	533,726	403,133	393,239
Federal Reserve/FHLB Stock and other equity	89,286	89,416	101,029	102,212
<b>Total available-for-sale securities</b>	<b>\$1,355,275</b>	<b>1,343,477</b>	<b>917,469</b>	<b>906,881</b>

In 2004, 2003 and 2002, the Company had gross realized gains on sales of available-for-sale securities of \$2.2 million, \$835,000 and \$604,000, respectively. During 2004, 2003 and 2002, gross realized losses on sales of available-for-sale securities totaled \$358,000, \$193,000 and \$497,000, respectively. Proceeds from sales of available-for-sale securities during 2004, 2003 and 2002, were \$923 million, \$3.3 billion and \$2.8 billion, respectively. At December 31, 2004 and 2003, securities having a carrying value of \$626.6 million and \$269.2 million, respectively, were pledged as collateral for public deposits, trust deposits and securities sold under repurchase agreements. At December 31, 2004, there were no securities of a single issuer, other than U.S. Treasury obligations and other U.S. Government-sponsored agency securities, which exceeded 10% of shareholders' equity.

#### (4) Loans

A summary of the loan portfolio at December 31, 2004 and 2003 is as follows (in thousands):

	2004	2003
Commercial and commercial real estate	\$2,465,852	1,648,022
Home equity	574,668	466,812
Residential real estate	248,118	173,625
Premium finance receivables	770,792	746,895
Indirect auto loans	171,926	174,071
Tricom finance receivables	29,730	25,024
Consumer and other loans	87,260	63,345
<b>Total loans</b>	<b>\$4,348,346</b>	<b>3,297,794</b>

At December 31, 2004 and 2003, premium finance receivables were recorded net of unearned income of \$16.9 million and \$12.1 million respectively. Total loans include net deferred loan fees and costs and fair value purchase accounting adjustments totaling \$1.6 million at December 31, 2004 and \$2.1 million at December 31, 2003.

Certain real estate loans, including mortgage loans held-for-sale, and home equity loans with balances totaling approximately \$496.0 million and \$309.2 million, at December 31, 2004 and 2003, respectively, were pledged as collateral to secure the availability of borrowings from certain Federal agency banks. At December 31, 2004, approximately \$278.8 million of these pledged loans are included in a blanket pledge of qualifying loans to the Federal Home Loan Bank ("FHLB"). The remaining \$217.2 million of pledged loans was used to secure potential borrowings at the Federal Reserve Bank discount window. At December



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31, 2004 and 2003, the Banks borrowed \$303.5 million and \$144.0 million, respectively, from the FHLB in connection with these collateral arrangements. See Note 12 for a summary of these borrowings.

The Company's loan portfolio is generally comprised of loans to consumers and small to medium-sized businesses located within the geographic market areas that the Banks serve. The premium finance receivables and Tricom finance receivables portfolios are made to customers on a national basis and the indirect auto loans are generated through a network of local automobile dealers. As a result, the Company strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries.

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

Certain officers and directors of Wintrust and certain corporations and individuals related to such persons borrowed funds from the Banks. These loans were made at substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers. A rollforward of these loans is as follows (in thousands):

Balance at December 31, 2003	\$ 6,875
New loans and advances	4,718
Maturities and paydowns	<u>(6,322)</u>
Balance at December 31, 2004	<u>\$ 5,271</u>

### (5) Allowance for Loan Losses

A summary of the activity in the allowance for loan losses for the years ended December 31, 2004, 2003, and 2002 is as follows (in thousands):

	Years Ended December 31,		
	2004	2003	2002
Allowance at beginning of year	<b>\$25,541</b>	18,390	13,686
Provision for loan losses	<b>6,298</b>	10,999	10,321
Allowance acquired in business combinations	<b>5,110</b>	1,602	—
Charge-offs	<b>(4,870)</b>	(6,457)	(6,589)
Recoveries	<b>2,148</b>	1,007	972
Allowance at end of year	<b>\$34,227</b>	25,541	18,390

A summary of non-accrual and impaired loans and their impact on interest income is as follows (in thousands):

	Years Ended December 31,		
	2004	2003	2002
Total non-accrual loans (as of year-end)	<b>\$13,724</b>	18,964	6,842
Reduction of interest income from non-accrual loans	<b>522</b>	277	79
Average balance of impaired loans	<b>6,681</b>	3,566	767
Interest income recognized on impaired loans	<b>73</b>	127	26

Management evaluates the value of the impaired loans primarily by using the fair value of the collateral. A summary of impaired loan information at December 31, 2004 and 2003 is as follows (in thousands):

	2004	2003
Impaired loans	<b>\$ 3,465</b>	9,441
Impaired loans that had allocated specific allowance for loan losses	<b>937</b>	4,800
Allocated allowance for loan losses	<b>140</b>	880

### (6) Mortgage Servicing Rights

The outstanding principal balance of mortgage loans serviced for others totaled \$297 million at December 31, 2004, \$285 million at December 31, 2003, and \$239 million at December 31, 2002. The following is a summary of the changes in the balance of mortgage servicing rights for the years ended December 31, 2004, 2003 and 2002 (in thousands):

	Years Ended December 31,		
	2004	2003	2002
Balance at beginning of year, net	<b>\$ 2,277</b>	1,520	906

Servicing rights capitalized	969	2,439	1,727
Amortization of servicing rights	(1,067)	(1,923)	(872)
Change in valuation allowance	—	241	(241)
Balance at end of year, net	<b>\$ 2,179</b>	2,277	1,520

At December 31, 2004, 2003 and 2002, the aggregate fair value of mortgage servicing rights was \$2.7 million, \$2.5 million, and \$1.5 million, respectively. Fair values are determined by discounting anticipated future net cash flows from servicing activities considering market consensus loan prepayment speeds, interest rates, servicing costs and other economic factors. There was no valuation allowance at December 31, 2004 or December 31, 2003. The valuation allowance had a balance of \$241,000 at December 31, 2002.

Amortization of existing balances of mortgage servicing rights is expected to approximate \$420,000 in 2005, \$405,000 in 2006, \$389,000 in 2007, \$373,000 in 2008 and \$358,000 in 2009.

**(7) Business Combinations**

The Company completed three business combinations in 2004. All were accounted for 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 accounting adjustments were recorded upon the completion of each acquisition.

In May, 2004, Wintrust completed (effective date of May 1, 2004) its acquisition of WestAmerica and WestAmerica's affiliate, Guardian. The acquisition of these companies is expected to further diversify and enhance Wintrust's revenue stream. WestAmerica and Guardian were acquired through the issuance of 180,438 shares of common stock (then valued at \$8.5 million) and \$11.0 million in cash for a total purchase price of \$19.5 million. The value of the common stock issued was determined using the unweighted average of the high and low sales prices of Wintrust's common stock on the Nasdaq National Market for each of the ten trading days ending on the second day preceding the closing date. Wintrust is obligated to pay additional consideration contingent upon the attainment of certain net income levels over each of the next five years. The additional consideration, if any, will be recorded as goodwill at its fair value when paid, or when the additional consideration is deemed, beyond a reasonable doubt, to have been earned.

In September, 2004, Wintrust completed (effective date of September 30, 2004) its acquisition of Northview Financial Corporation ("Northview"), and its wholly-owned subsidiaries, Northview Bank and Trust and Northview Mortgage, LLC. The acquisition continues the Company's expansion into desirable suburban Chicago communities. Northview was acquired through the issuance of 475,148 shares of common stock (then valued at \$25.1 million), \$21.0 million in cash and \$1.9 million for the value of vested stock options for a total purchase price of \$48.0 million. The value of the common stock issued was determined by comparing the unweighted average of the high and low sales prices of Wintrust's common stock on the Nasdaq National Market for each of the ten trading days ending on the second day preceding the closing date to the ceiling and floor stock purchase prices in the agreements and plan of merger. The appropriate Wintrust stock price for the acquisition of Northview was the ceiling price as determined in the agreement and plan of merger. The vested stock options were valued using the Black-Scholes options-pricing model.

In October, 2004, Wintrust completed (effective date of October 1, 2004) its acquisition of Town Bankshares, Ltd. ("Town") and its wholly-owned subsidiary, Town Bank. This acquisition continues the Company's community banking expansion plans and is the Company's first banking operation in its target market area in Wisconsin. Town was acquired through the issuance of 372,535 shares of common stock (then valued at \$20.6 million), cash of \$17.0 million and \$3.5 million for the value of vested stock options for a total purchase price of \$41.1 million. The value of the common stock issued was determined by comparing the unweighted average of the high and low sales prices of Wintrust's common stock on the Nasdaq National Market for each of the ten trading days ending on the second day preceding the closing date to the ceiling and floor stock purchase prices in the agreement and plan of merger. The appropriate Wintrust stock price for the acquisition of Town was the ceiling price as determined in the agreement and plan of merger. The vested stock options were valued using the Black-Scholes option-pricing model.

Subsequent to year-end, in January, 2005, Wintrust completed (effective date of January 1, 2005) its acquisition of Antioch Holding Company ("Antioch") and its wholly-owned subsidiary, State Bank of The Lakes. This acquisition continues the Company's community banking expansion plans in the northwest suburbs of Chicago. Antioch was acquired for \$95.4 million of cash. Intangible assets of approximately \$60 million will be recorded in this transaction.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition for WestAmerica and Guardian, Northview, and Town (in thousands):

	WestAmerica and Guardian	Northview	Town
<b>Assets:</b>			
Cash and due from banks	\$ 743	27,836	12,768
Interest-bearing deposits with banks	—	15,301	201
Available-for-sale securities	229	43,316	15,339
Mortgage loans held-for-sale	120,227	—	—
Trading account securities	—	—	—
Loans	—	249,628	227,144
Allowance for loan losses	—	(2,534)	(2,576)
Goodwill	10,938	29,529	23,622
Other intangible assets	—	5,470	3,262
Other assets	1,734	7,101	5,600
<b>Total assets</b>	<b>\$ 133,871</b>	<b>375,647</b>	<b>285,360</b>
<b>Liabilities and Equity:</b>			
Deposits	\$ —	294,071	232,439
Borrowings	96,370	31,337	10,310
Other liabilities	17,983	2,255	1,516
Equity	19,518	47,984	41,095
<b>Total liabilities and equity</b>	<b>\$ 133,871</b>	<b>375,647</b>	<b>285,360</b>



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

A summary of goodwill by business segment is as follows (in thousands):

	Jan 1, 2004	Goodwill Acquired	Impairment Losses	Dec 31, 2004
Banking	\$ 19,381	64,301	—	<b>83,682</b>
Premium finance	—	—	—	—
Tricom	8,958	—	—	<b>8,958</b>
Wealth management	20,151	670	—	<b>20,821</b>
Parent and other	—	—	—	—
<b>Total</b>	<b>\$ 48,490</b>	<b>64,971</b>	<b>—</b>	<b>113,461</b>

Approximately \$24.9 million of the December 31, 2004 balance of goodwill is deductible for tax purposes.

A summary of finite-lived intangible assets as of December 31, 2004 and 2003 and the expected amortization as of December 31, 2004 is follows (in thousands):

	December 31,	
	2004	2003
Wealth management - customer list intangible	\$ 1,639	2,159
Banking - core deposit intangible	9,582	1,439
<b>Total</b>	<b>\$ 11,221</b>	<b>3,598</b>
Estimated amortization		
2005	\$ 1,990	
2006	1,633	
2007	1,352	
2008	1,157	
2009	1,038	

As a result of the February, 2003 acquisition of LFCM, \$1.6 million of the purchase price was assigned to the customer list of LFCM and is being amortized over a seven-year period on an accelerated basis. As a result of the October, 2003 and December, 2003 acquisitions of Advantage Bank and Village Bank, \$519,000 and \$957,000, respectively, were assigned to core deposit intangibles. As a result of the September, 2004, and October 2004 acquisitions of Northview Bank and Town Bank, \$5.5 million and \$3.3 million, respectively, were assigned to core deposit intangibles. The core deposit intangibles are being amortized over ten-year periods on an accelerated basis. Total amortization expense associated with finite-lived intangibles in 2004, 2003 and 2002 was \$1.1 million, \$640,000 and \$324,000, respectively.

**(9) Premises and Equipment, Net**

A summary of premises and equipment at December 31, 2004 and 2003 is as follows (in thousands):

	2004	2003
Land	\$ 42,578	35,951
Buildings and leasehold improvements	121,416	105,749
Furniture, equipment and computer software	51,290	41,730
Construction in progress	14,536	7,719
	<b>229,820</b>	191,149
Less: Accumulated depreciation and amortization	44,251	35,515
	<b>185,569</b>	155,634
Equipment under leasing contracts, net of accumulated depreciation	357	1,080
<b>Total premises and equipment, net</b>	<b>\$185,926</b>	156,714

Equipment under leasing contracts represents the Company's investment in equipment leased to others under operating lease agreements. The portfolio consists of various types of equipment including medical, technological and machine tools.

Depreciation and amortization expense related to premises and equipment, excluding equipment under leasing contracts, totaled \$9.2 million in 2004, \$8.0 million in 2003 and \$7.3 million in 2002. Depreciation expense related to equipment under leasing contracts totaled \$582,000 in 2004, \$813,000 in 2003 and \$974,000 in 2002.



**(10) Deposits**

The following is a summary of deposits at December 31, 2004 and 2003 (in thousands):

	2004	2003
Non-interest bearing accounts	\$ 505,312	360,666
NOW accounts	586,583	407,803
Wealth Management deposits	390,129	338,479
Money market accounts	608,037	470,849
Savings accounts	215,697	183,394
Time certificates of deposits	2,798,976	2,115,430
<b>Total deposits</b>	<b>\$5,104,734</b>	<b>3,876,621</b>

The scheduled maturities of time certificates of deposits at December 31, 2004 and 2003 are as follows (in thousands):

	2004	2003
Due in one year	\$1,550,086	1,301,174
Due in one to two years	711,608	408,414
Due in two to three years	287,503	179,459
Due in three to four years	122,806	137,170
Due after four years	126,973	89,213
<b>Total time certificates of deposits</b>	<b>\$2,798,976</b>	<b>2,115,430</b>

Certificates of deposit in amounts of \$100,000 or more approximated \$1.46 billion and \$1.08 billion at December 31, 2004 and 2003, respectively.

**(11) Notes Payable**

Notes payable balances of \$1.0 million at December 31, 2004 and \$26.0 million at December 31, 2003, represent the outstanding balance on a revolving loan agreement (“Agreement”) with an unaffiliated bank. At December 31, 2004, the total amount of the Agreement is \$51.0 million, comprised of a \$25.0 million revolving note that matures on May 1, 2005 (which had no outstanding balance at year end), a \$25.0 million revolving note that matures on February 27, 2006 (which had no outstanding balance at year end), and a \$1.0 million note that matures on May 1, 2013. Interest is 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 December 31, 2004 and 2003, the interest rates on the notes payable were 3.80% and 2.57% respectively. At December 31, 2003, \$25.0 million of notes payable were effectively converted to fixed-rate debt through the use of an interest rate swap which matured in February 2004. See Notes 1 and 21 for further discussion on derivative instruments.

The Agreement is secured by the stock of all Banks except Advantage Bank, Village Bank, Beverly Bank, Wheaton Bank and Town 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 December 31, 2004, the Company is in compliance with all debt covenants. The Agreement may be utilized, as needed, to provide capital to fund continued growth at the Company’s Banks, expand its wealth management business, fund possible acquisitions of financial institutions or other finance related companies, purchase treasury stock or for other general corporate matters.

**(12) Federal Home Loan Bank Advances**

A summary of the outstanding balances of FHLB advances at December 31, 2004 and 2003, is as follows (in thousands):

	2004	2003
2.47% line of credit	\$ 40,000	—
5.84% advance due February 2005	2,515	—
1.98% advance due March 2005	1,701	1,706
7.24% advance due July 2005	1,935	—
2.40% advance due September 2005	1,605	1,612
2.86% advance due October 2005	3,014	—
2.13% advance due February 2006	25,000	—
2.74% advance due February 2006	2,007	—
1.97% advance due July 2006	496	—
4.30% advance due July 2006	1,025	—
3.13% advance due September 2006	705	708
2.99% advance due November 2006	750	—
2.77% advance due February 2007	25,000	—
3.32% advance due March 2008	2,513	—
2.72% advance due May 2008	1,968	—
2.84% advance due May 2009	50,000	—

4.40% advance due July 2009	<b>2,078</b>	—
4.60% advance due July 2011	<b>30,000</b>	30,000
3.30% advance due November 2011	<b>25,000</b>	25,000
3.95% advance due November 2011	<b>35,000</b>	35,000
4.33% advance due November 2011	<b>1,189</b>	—
4.17% advance due June 2012	<b>25,000</b>	25,000
4.79% advance due June 2012	<b>25,000</b>	25,000
Federal Home Loan Bank advances	<b>\$303,501</b>	144,026

At December 31, 2004 FHLB advances consisted of \$263.5 million of fixed rate term obligations and \$40 million of variable rate short-term borrowings. Several of the fixed rate advances due after 2008 have varying one-time call dates ranging from June 2005 to June 2007. FHLB advances are stated at par value of the debt adjusted for unamortized fair value adjustments recorded in connection with advances acquired through acquisitions.

At December 31, 2004, the weighted average contractual interest rate on FHLB advances was 3.41% and the weighted average effective interest rate, which reflects amortization of fair value adjustments associated with FHLB advances acquired through acquisitions, was 3.31%.

FHLB advances are collateralized by qualifying residential real estate loans. The Company has an arrangement with the FHLB whereby based on available collateral (residential mortgages), the Company could have borrowed an additional \$153.0 million at December 31, 2004.

**(13) Subordinated Notes**

A summary of the subordinated notes at December 31, 2004 and 2003 is as follows (in thousands):

	2004	2003
Subordinated note, due October 29, 2012	\$ 25,000	25,000
Subordinated note, due May 1, 2013	25,000	25,000
Total subordinated notes	<b>\$ 50,000</b>	50,000

The subordinated notes were issued in 2002 and 2003, and may be redeemed by the Company at any time prior to maturity. Each subordinated note requires annual principal payments of \$5.0 million beginning in the sixth year of the note. Interest is calculated at a floating rate equal to LIBOR plus 260 basis points. The Company effectively converted the subordinated note due in 2012 to a fixed-rate note through the use of an interest rate swap. See Notes 1 and 21 for further discussion on derivative instruments. At December 31, 2004, the weighted average contractual interest rate on the subordinated notes was 5.00% and the weighted average effective interest rate, which includes the effect of the interest rate swap, was 5.91%. The subordinated notes qualify as Tier II capital under the regulatory capital requirements of the federal banking agencies.

**(14) Other Borrowings**

The following is a summary of other borrowings at December 31, 2004 and 2003 (in thousands):

	2004	2003
Federal funds purchased	\$ 78,576	38,800
Securities sold under repurchase agreements	118,669	26,544
Wayne Hummer Companies funding	—	9,025
Other	4,679	3,700
Total other borrowings	<b>\$201,924</b>	78,069

As of December 31, 2004 and 2003, the weighted average interest rate on federal funds purchased was 2.47% and 1.27%, respectively.

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. Securities are maintained under the Company's control and are pledged for the borrowings from the brokers as well as the balances of the customers' accounts. Securities underlying these agreements consist of U.S. Government agency, mortgage-backed and corporate securities and are included in the available-for-sale securities portfolio as reflected on Company's Consolidated Statements of Condition. As of December 31, 2004 and 2003, the weighted average interest rate of securities sold under repurchase agreements was 2.05% and 0.75%, respectively.

The Wayne Hummer Companies funding consisted of collateralized demand obligations to third party banks that were used to finance securities purchased by customers on margin and securities owned by WHI. During the third quarter of 2004, WHI began to borrow such funds from its parent company, North Shore Bank.

Other includes \$2.4 million of the interest-bearing deferred portion of the purchase price of the Wayne Hummer Companies and a \$2.0 million, 9.28% fixed-rate, mortgage (which matures in May 2005) related to the Company's Northfield banking office which was assumed in connection with the acquisition of Northview Bank in 2004.

**(15) Long-term Debt — Trust Preferred Securities**

As of December 31, 2004 the Company owned 100% of the Common Securities of eight trusts, Wintrust Capital Trust I, Wintrust Capital Trust II, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Northview Capital Trust I and Town Bankshares Capital Trust I (the “Trusts”) set up to provide long-term financing. The Northview and Town capital trusts were acquired as part of the acquisitions of Northview Financial Corporation and Town Bankshares, Ltd., respectively. The Trusts were formed for purposes of issuing Trust Preferred Securities to third-party investors and investing the proceeds from the issuances of the Trust Preferred Securities and the 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 represent approximately 97% of the Debentures.

At December 31, 2004, the Trusts are reported in the Company’s financial statements as unconsolidated subsidiaries; the Debentures are reflected as “Long-term debt - trust preferred securities” and the Common Securities are included in Available-for-Sale Securities. At December 31, 2003, however, Wintrust Capital Trust I and Wintrust Capital Trust II were reported as consolidated subsidiaries in the Company’s financial statements, which resulted in reporting the Trust Preferred Securities of these Trusts as “Long-term debt — trust preferred securities” in the Consolidated Statements of Condition. The Trusts were deconsolidated in the first quarter of 2004, in accordance with the effective date of FIN 46 (Revised), “Consolidation of Variable Interest Entities”, which reflects revised accounting guidance governing when an equity interest should be consolidated.

A summary of the Company’s Long-term debt — trust preferred securities, which represents the par value of the obligations, including basis adjustments for a fair value hedge of Wintrust Capital Trust I and the unamortized fair value adjustments recognized at the acquisition dates for the Northview and Town obligations, at December 31, 2004 and 2003, is as follows (in thousands):

	2004	2003
9.0% Debentures owed to Wintrust Capital Trust I, due September 30, 2028	\$ 31,882	30,418
10.5% Debentures owed to Wintrust Capital Trust II, due June 30, 2030	20,619	20,000
Variable rate (LIBOR + 3.25%) Debentures owed to Wintrust Capital Trust III, due April 7, 2033	25,774	25,774
Variable rate (LIBOR + 2.80%) Debentures owed to Wintrust Statutory Trust IV, due December 8, 2033	20,619	20,619
Variable rate (LIBOR + 2.60%) Debentures owed to Wintrust Statutory Trust V, due May 11, 2034	41,238	—
Variable rate (LIBOR + 1.95%) Debentures owed to Wintrust Capital Trust VII, due March 15, 2035	51,550	—
6.35% Debentures owed to Northview Capital Trust I, due November 8, 2033	6,380	—
Variable rate (LIBOR + 3.00%) Debentures owed to Town Bankshares Capital Trust I, due November 8, 2033	6,427	—
<b>Total long-term debt — trust preferred securities</b>	<b>\$204,489</b>	<b>96,811</b>

The interest rates associated with the variable rate Debentures are based on the three-month LIBOR rate and were 5.32%, 4.78%, 4.58%, 4.42% and 5.16%, for Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII and Town Bankshares Capital Trust I, respectively, at December 31, 2004. The interest rate on the Northview Capital Trust I changes to a variable rate equal to three-month LIBOR plus 3.00% effective February 8, 2008. Distributions on the Trust Preferred Securities issued by the Trusts are payable quarterly at a rate per annum equal to the interest rate being earned by the Trusts on the Debentures held by the Trusts. Interest expense on the Trust Preferred Securities is deductible for income tax purposes.

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the Trust Preferred Securities, in each case to the extent of funds held by the Trusts. The Company and the Trusts believe that, taken together, the obligations of the Company under the guarantees, the subordinated debentures, and other related agreements provide, in the aggregate, a full, irrevocable and unconditional guarantee, on a subordinated basis, of all of the obligations of the Trusts under the Trust Preferred Securities. Subject to certain limitations, the Company has the right to defer 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 the discretion of the Company if certain conditions are met, and only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations. The Debentures held by the Trusts are first redeemable, in whole or in part, by the Company as follows:

Wintrust Capital Trust I	September 30, 2003
Wintrust Capital Trust II	June 30, 2005
Wintrust Capital Trust III	April 7, 2008
Wintrust Statutory Trust IV	December 31, 2008
Wintrust Statutory Trust V	June 30, 2009
Wintrust Capital Trust VII	March 15, 2010
Northview Capital Trust I	August 8, 2008
Town Bankshares Capital Trust I	August 8, 2008

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 I capital treatment for trust preferred securities but with stricter limits. Under the rule, after a five-year transition period, the aggregate amount of trust preferred securities and certain other capital elements will retain their current limit of 25% of Tier I capital elements, net of goodwill less any associated deferred tax liability. The amount of trust preferred securities and certain other capital elements in excess of the limit could be included in Tier 2 capital, subject to restrictions. Applying the final rule at December 31, 2004, the Company's Tier 1 capital would have been reduced by approximately \$38.0 million; however, the Company's total regulatory capital would have been unchanged from the actual amount reported and the Company would still be considered well-capitalized under regulatory capital guidelines.

**(16) Minimum Lease Commitments**

The Company occupies certain facilities under operating lease agreements. Gross rental expense related to the Company's operating leases was \$3.5 million in 2004, \$2.2 million in 2003 and \$2.1 million in 2002. The Company also leases certain owned premises and receives rental income from such agreements. Gross rental income related to the Company's buildings totaled \$1.5 million, \$1.1 million and \$646,000, in 2004, 2003 and 2002, respectively. In 2004, 2003 and 2002, the Company also recorded equipment lease income of approximately \$530,000, \$755,000 and \$1.2 million, respectively. Future minimum gross rental payments for office space, future minimum gross rental income, and future minimum equipment lease income as of December 31, 2004 for all noncancelable leases are as follows (in thousands):

	Future minimum gross rental payments	Future minimum gross rental income	Future minimum equipment lease income
2005	\$ 4,071	1,203	216
2006	3,919	989	16
2007	3,630	819	—
2008	2,278	652	—
2009	2,276	625	—
2010 and thereafter	14,587	2,024	—
Total minimum future amounts	\$ 30,761	6,312	232

(17) Income Taxes

Income tax expense for the years ended December 31, 2004, 2003 and 2002 is summarized as follows (in thousands):

	Years Ended December 31,		
	2004	2003	2002
Current income taxes:			
Federal	\$ 23,108	18,752	13,154
State	3,489	1,662	290
Total current income taxes	<b>26,597</b>	20,414	13,444
Deferred income taxes:			
Federal	2,678	493	446
State	278	319	730
Total deferred income taxes	<b>2,956</b>	812	1,176
Total income tax expense	<b>\$ 29,553</b>	21,226	14,620

Included in total income tax expense is income tax expense applicable to net gains on available-for-sale securities of \$713,000 in 2004, \$245,000 in 2003 and \$41,000 in 2002.

The exercise of certain stock options and the vesting and issuance of stock compensation produced tax benefits of \$8.7 million in 2004, \$3.6 million in 2003 and \$2.8 million in 2002 which were recorded directly to shareholders' equity.

A reconciliation of the differences between taxes computed using the statutory Federal income tax rate of 35% and actual income tax expense is as follows (in thousands):

	Years Ended December 31,		
	2004	2003	2002
Computed "expected" income tax expense	\$ 28,311	20,770	14,873
Increase (decrease) in tax resulting from:			
Tax-exempt interest, net of interest expense disallowance	(424)	(381)	(475)
State taxes, net of federal tax benefit	2,449	1,288	663
Income earned on life insurance policies	(668)	(691)	(291)
Other, net	(115)	240	(150)
Income tax expense	<b>\$ 29,553</b>	21,226	14,620

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2004 and 2003 are as follows (in thousands):

	2004	2003
Deferred tax assets:		
Allowance for loan losses	\$ 12,696	9,763
Net unrealized losses on securities (SFAS 115)	4,547	3,689
Net unrealized losses on derivatives (SFAS 133)	67	145
Federal net operating loss carryforward	2,817	3,849
Deferred compensation	2,367	1,818
Other	1,462	708
Total gross deferred tax assets	<b>23,956</b>	19,972
Deferred tax liabilities:		
Premises and equipment	6,143	4,638
Deferred loan fees and costs	778	693
Capitalized servicing rights	1,613	1,217
Goodwill and intangible assets	6,163	2,847
FHLB stock dividends	2,925	1,483
Other	242	427
Total gross deferred tax liabilities	<b>17,864</b>	11,305
Net deferred tax assets	<b>\$ 6,092</b>	8,667

At December 31, 2004, Wintrust had Federal net operating loss carryforwards of \$8.1 million which are available to offset future taxable income. These net operating losses expire in years 2005 through 2020 and are subject to certain statutory limitations.

Management believes that it is more likely than not that the recorded net deferred tax assets will be fully realized and therefore no valuation allowance is

necessary. The basis for the conclusion that it is more likely than not that the deferred tax assets will be realized is based on the Company's historical earnings trend, its current level of earnings and prospects for continued growth and profitability.

**(18) Employee Benefit and Stock Plans**

The Wintrust Financial Corporation 1997 Stock Incentive Plan (“the Plan”) permits the grant of incentive stock options, non-qualified stock options, rights and restricted stock, as well as the conversion of outstanding options of acquired companies to Wintrust options. The Plan covers substantially all employees of Wintrust. A total of 5,927,482 shares of Common Stock may be granted under the Plan.

In general the Plan provides for the grant of options to purchase shares of Wintrust’s common stock at the fair market value of the stock on the date the options are granted. The incentive and nonqualified options generally vest ratably over a five-year period and expire at such time as the Compensation Committee shall determine at the time of grant, however, in no case shall they be exercisable later than ten years after the grant.

A summary of the Plan’s aggregate stock option activity for the years ended December 31, 2004, 2003 and 2002 is as follows:

	Common Shares	Range of Strike Prices	Weighted Average Strike Price
Outstanding at December 31, 2001	2,637,221	\$ 3.87 – 20.65	\$ 9.26
Granted	759,409	18.81 – 30.59	21.80
Exercised	492,079	3.87 – 18.00	5.48
Forfeited or canceled	22,688	5.17 – 20.65	12.16
Outstanding at December 31, 2002	2,881,863	5.17 – 30.59	13.19
Conversion of options of acquired companies	100,003	19.82 – 35.05	27.74
Granted	498,200	11.33 – 45.46	41.79
Exercised	347,501	5.17 – 30.59	8.15
Forfeited or canceled	14,560	9.58 – 30.59	22.06
Outstanding at December 31, 2003	3,118,005	5.17 – 45.46	18.75
<b>Conversion of options of acquired companies</b>	<b>146,441</b>	<b>15.57 – 26.13</b>	<b>23.37</b>
<b>Granted</b>	<b>279,100</b>	<b>45.07 – 58.02</b>	<b>53.71</b>
<b>Exercised</b>	<b>473,999</b>	<b>5.17 – 45.46</b>	<b>10.13</b>
<b>Forfeited or canceled</b>	<b>22,269</b>	<b>9.21 – 47.31</b>	<b>24.57</b>
<b>Outstanding at December 31, 2004</b>	<b>3,047,278</b>	<b>\$ 6.46 – 58.02</b>	<b>\$23.41</b>

At December 31, 2004, 2003 and 2002, the weighted-average remaining contractual life of outstanding options was 6.0 years, 6.1 years and 6.0 years, respectively. Additionally, at December 31, 2004, 2003 and 2002, the number of options exercisable was 1,831,222, 1,772,067, and 1,668,709, respectively, and the weighted-average per share exercise price of those options was \$16.07, \$12.08, and \$9.50, respectively. Expiration dates for options outstanding at December 31, 2004 range from May 1, 2005 to October 28, 2014.

The following table presents certain information about the outstanding stock options and the currently exercisable stock options as of December 31, 2004:

	Options Outstanding			Options Currently Exercisable		
	Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Number of Shares	Weighted Average Exercise Price
\$	6.46 – 9.90	383,687	\$ 8.95	1.52 years	377,537	\$ 8.95
	10.17 – 11.63	371,784	11.08	4.68 years	343,884	11.11
	11.92 – 13.38	577,020	12.28	4.08 years	498,810	12.22
	15.57 – 18.81	512,125	18.71	6.87 years	217,470	18.59
	19.82 – 29.53	311,141	24.20	7.45 years	204,436	23.70
	30.57 – 35.05	211,821	31.73	7.31 years	101,031	32.48
	43.20 – 49.48	460,700	45.01	8.96 years	83,054	44.63
	50.56 – 58.02	219,000	55.34	9.74 years	5,000	50.56
\$	6.46 – 58.02	3,047,278	\$23.41	6.01 years	1,831,222	\$16.07

Holders of Restricted Stock Unit Awards (“restricted stock”) are entitled to receive at no cost shares of the Company’s common stock generally over periods of one to three years after the awards are granted. Holders of the restricted stock are not entitled to vote or receive cash dividends (or cash payments equal to the cash dividends) on the underlying common shares until the awards are vested. Except in limited circumstances, these awards are canceled upon termination of employment without any payment of consideration by the Company. In 2004, 2003 and 2002, Restricted Stock Unit Awards representing the rights to acquire 17,126, 25,738 and 47,057 shares of common stock, respectively, were granted, with an average grant-date per share value of \$46.52, \$30.83 and \$18.82, respectively. As of December 31, 2004, 25,512 Restricted Stock Unit Awards were outstanding. Compensation expense for restricted stock is based on the quoted per share market price of the stock at the grant date and is accrued over the vesting period. Total compensation expense recognized for the restricted stock in 2004, 2003 and 2002 was \$721,000, \$784,000 and \$655,000, respectively.

Wintrust and its subsidiaries also provide 401(k) Retirement Savings Plans (“401(k) Plans”). The 401(k) Plans cover all employees meeting certain eligibility requirements. Contributions by employees are made through salary reductions at their direction, subject to certain Plan and statutory limitations. Employer contributions to the 401(k) Plans are made at the employer’s discretion. Generally, participants completing 501 hours of service are eligible to share in an allocation of employer contributions. The Company’s expense for the employer contributions to the 401(k) Plans was approximately \$1.7 million in 2004, \$1.3 million in 2003, and \$790,000 in 2002. The Wintrust Financial Corporation Employee Stock Purchase Plan (“SPP”) is designed to encourage greater stock ownership among employees, thereby enhancing employee commitment to the Company. The SPP gives eligible employees the right to accumulate funds over an offering period to purchase shares of Common Stock. The Company has reserved 375,000 shares of its authorized Common Stock for the SPP. All shares offered under the SPP will be either newly issued shares of the Company or shares issued from treasury, if any. In accordance with the SPP, the purchase price of the shares of Common Stock may not be lower than the lesser of 85% of the fair market value per share of the Common Stock on the first day of the offering period or 85% of the fair market value per share of the Common Stock on the last date for the offering period. The Company’s Board of Directors authorized a purchase price calculation at 90% of fair market value for each of the offering periods. During 2004, 2003 and 2002, a total of 26,332 shares, 35,848 shares and 34,123 shares, respectively, were issued to participant accounts and approximately \$323,000, \$314,000 and \$286,000, respectively, was recognized as compensation expense. The thirteenth offering period concludes on March 31, 2005. The Company plans to continue to periodically offer Common Stock through this SPP subsequent to March 31, 2005.

The Company does not currently offer other postretirement benefits such as health care or other pension plans.

The Wintrust Financial Corporation Directors Deferred Fee and Stock Plan (“DDFS Plan”) allows directors of the Company and its subsidiaries to choose to receive payment of directors fees in either cash or common stock of the Company and to defer the receipt of the fees. The DDFS Plan is designed to encourage stock ownership by directors. The Company has reserved 225,000 shares of its authorized Common Stock for the DDFS Plan. All shares offered under the DDFS Plan will be either newly issued shares of the Company or shares issued from treasury. The number of shares issued is determined on a quarterly basis based on the fees earned during the quarter and the fair market value per share of the Common Stock on the last trading day of the preceding quarter. The shares are issued annually and the directors are entitled to dividends and voting rights upon the issuance of the shares. For those directors that elect to defer the receipt of the Common Stock, the Company maintains records of stock units representing an obligation to issue shares of Common Stock. The number of stock units equals the number of shares that would have been issued had the director not elected to defer receipt of the shares. Additional stock units are credited at the time dividends are paid, however no voting rights are associated with the stock units. The shares of Common Stock represented by the stock units are issued in the year specified by the directors in their participation agreements.

**(19) Regulatory Matters**

Banking laws place restrictions upon the amount of dividends which can be paid to Wintrust by the Banks. Based on these laws, the Banks could, subject to minimum capital requirements, declare dividends to Wintrust without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. During 2004 and 2003, cash dividends totaling \$25.5 million and \$5.5 million, respectively, were paid to Wintrust by the Banks. No cash dividends were paid to Wintrust by the Banks for the year ended, December 31, 2002. As of January 1, 2005, the Banks had approximately \$78.4 million available to be paid as dividends to Wintrust; however, only \$24.0 million was available as dividends from the Banks without reducing their capital below the well-capitalized level.

The Banks are also required by the Federal Reserve Act to maintain reserves against deposits. Reserves are held either in the form of vault cash or balances maintained with the Federal Reserve Bank and are based on the average daily deposit balances and statutory reserve ratios prescribed by the type of deposit account. At December 31, 2004 and 2003, reserve balances of approximately \$19.5 million and \$36.2 million, respectively, were required to be maintained at the Federal Reserve Bank.

The Company and the Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Banks must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Banks' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Banks to maintain minimum amounts and ratios of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier 1 leverage capital (as defined) to average quarterly assets (as defined).

The Federal Reserve's capital guidelines require bank holding companies to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum Tier 1 leverage ratio (Tier 1 Capital to total assets) of 3.0% for strong bank holding companies (those rated a composite "1" under the Federal Reserve's rating system). For all other banking holding companies, the minimum Tier 1 leverage ratio is 4.0%. In addition the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities. As reflected in the following table, the Company met all minimum capital requirements at December 31, 2004 and 2003:

	2004	2003
Total Capital to Risk Weighted Assets	12.2%	12.1%
Tier 1 Capital to Risk Weighted Assets	9.8	10.2
Tier 1 Leverage Ratio	8.4	8.9

In connection with the acquisition of the Wayne Hummer Companies in 2002, Wintrust became designated as a Financial Holding Company. Bank holding companies approved as financial holding companies may engage in an expanded range of activities, including the businesses conducted by the Wayne Hummer Companies. As a financial holding company, Wintrust's Banks are required to maintain their capital positions at the "well-capitalized" level.

As of December 31, 2004, the Banks were categorized as well capitalized under the regulatory framework for prompt corrective action. The ratios required for the Banks to be "well capitalized" by regulatory definition are 10.0%, 6.0%, and 5.0% for Total Capital to Risk-Weighted Assets, Tier 1 Capital to Risk-Weighted Assets and Tier 1 Leverage Ratio, respectively. There are no conditions or events since the most recent notification that management believes would materially affect the Banks' regulatory capital categories.

The Banks' actual capital amounts and ratios as of December 31, 2004 and 2003 are presented in the following table (dollars in thousands):

	December 31, 2004				December 31, 2003			
	Actual		To Be Well Capitalized by Regulatory Definition		Actual		To Be Well Capitalized by Regulatory Definition	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Total Capital (to Risk Weighted Assets):</b>								
Lake Forest Bank	\$130,952	10.1%	\$130,236	10.0%	\$103,027	11.4%	\$90,672	10.0%
Hinsdale Bank	69,148	10.8	63,888	10.0	63,125	10.8	58,609	10.0
North Shore Bank	78,082	10.9	71,483	10.0	74,785	10.9	68,438	10.0
Libertyville Bank	68,902	10.3	66,934	10.0	54,896	11.0	50,061	10.0
Barrington Bank	57,196	10.8	53,011	10.0	49,150	10.7	46,143	10.0
Crystal Lake Bank	38,325	10.5	36,396	10.0	39,975	11.6	34,499	10.0
Northbrook Bank	44,189	10.6	41,686	10.0	21,780	10.7	20,303	10.0
Advantage Bank	21,072	12.5	16,852	10.0	13,055	12.1	10,752	10.0
Village Bank	11,888	11.2	10,620	10.0	6,632	11.9	5,569	10.0
Beverly Bank	8,339	16.6	5,013	10.0	*	*	*	*
Town Bank	26,108	10.9	23,974	10.0	**	**	**	**
Wheaton Bank	6,674	11.9	5,610	10.0	**	**	**	**
<b>Tier 1 Capital (to Risk Weighted Assets):</b>								
Lake Forest Bank	\$124,245	9.5%	\$78,142	6.0%	\$97,270	10.7%	\$54,403	6.0%
Hinsdale Bank	64,287	10.1	38,333	6.0	58,584	10.0	35,165	6.0
North Shore Bank	73,674	10.3	42,890	6.0	70,432	10.3	41,063	6.0
Libertyville Bank	64,789	9.7	40,161	6.0	51,597	10.3	30,036	6.0
Barrington Bank	53,492	10.1	31,806	6.0	45,874	9.9	27,686	6.0
Crystal Lake Bank	36,162	9.9	21,838	6.0	38,222	11.1	20,699	6.0
Northbrook Bank	41,103	9.9	25,012	6.0	20,525	10.1	12,182	6.0
Advantage Bank	19,791	11.7	10,111	6.0	11,929	11.1	6,451	6.0
Village Bank	11,178	10.5	6,372	6.0	6,009	10.8	3,342	6.0
Beverly Bank	8,057	16.1	3,008	6.0	*	*	*	*
Town Bank	23,531	9.8	14,384	6.0	**	**	**	**
Wheaton Bank	6,338	11.3	3,366	6.0	**	**	**	**
<b>Tier 1 Leverage Ratio:</b>								
Lake Forest Bank	\$124,245	9.4%	\$66,046	5.0%	\$97,270	8.7%	\$55,897	5.0%
Hinsdale Bank	64,287	7.6	42,261	5.0	58,584	8.2	35,650	5.0
North Shore Bank	73,674	8.3	44,631	5.0	70,432	8.6	40,952	5.0
Libertyville Bank	64,789	9.4	34,309	5.0	51,597	9.0	28,813	5.0
Barrington Bank	53,492	7.7	34,474	5.0	45,874	8.5	27,085	5.0
Crystal Lake Bank	36,162	7.6	23,654	5.0	38,222	9.7	19,680	5.0
Northbrook Bank	41,103	10.9	18,916	5.0	20,525	8.4	12,279	5.0
Advantage Bank	19,791	8.8	11,247	5.0	11,929	9.7	6,142	5.0
Village Bank	11,178	6.6	8,413	5.0	6,009	7.8	3,841	5.0
Beverly Bank	8,057	11.4	3,542	5.0	*	*	*	*
Town Bank	23,531	9.2	12,754	5.0	**	**	**	**
Wheaton Bank	6,338	5.6	6,252	5.0	**	**	**	**

\* Beverly Bank began operations in April 2004.

\*\* Acquired by Wintrust in 2004.

Wintrust's mortgage banking and broker/dealer subsidiaries are also required to maintain minimum net worth capital requirements with various governmental agencies. The mortgage banking subsidiaries' net worth requirements are governed by the Department of Housing and Urban Development and the broker/dealer's net worth requirements are governed by the United States Securities and Exchange Commission. As of December 31, 2004, these subsidiaries met their minimum net worth capital requirements.

## (20) Commitments and Contingencies

The Company has outstanding, at any time, a number of commitments to extend credit. These commitments include revolving home equity line and other credit agreements, term loan commitments and standby and commercial letters of credit. Standby and commercial letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. Standby letters of credit are contingent upon the failure of the customer to perform according to the terms of the underlying contract with the third party, while commercial letters of credit are issued specifically to facilitate commerce and typically result in the commitment being drawn on when the underlying transaction is consummated between the customer and the third party.

These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Statements of Condition. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. As of December 31, 2004 and 2003, commitments to extend commercial, commercial real estate and construction loans totaled \$1.04 billion and \$784.2 million, respectively, and unused home equity lines totaled \$593.2 million and \$473.7 million, respectively. Standby and commercial letters of credit totaled \$64.3 million at December 31, 2004 and \$44.1 million at December 31, 2003.

In addition, at December 31, 2004 and 2003, the Company had approximately \$152.6 million and \$15.7 million, respectively, in commitments to fund residential mortgage loans to be sold into the secondary market. These lending commitments are also considered derivative instruments under the guidelines of SFAS 133. The Company also enters into forward contracts for the future delivery of residential mortgage loans at specified interest rates to reduce the interest rate risk associated with commitments to fund loans as well as mortgage loans held-for-sale. These forward contracts are also considered derivative instruments under SFAS 133 and had a notional amount of approximately \$256.7 million at December 31, 2004 and \$39.7 million at December 31, 2003. See Note 21 for further discussion on derivative instruments.

In connection with the sale of premium finance receivables, the Company continues to service the receivables and maintains a recourse obligation to the purchasers should the underlying borrowers default on their obligations. The estimated recourse obligation is taken into account in recording the sale, effectively reducing the gain recognized. As of December 31, 2004 and 2003, outstanding premium finance receivables sold to and serviced for third parties for which the Company has a recourse obligation were \$250.9 million and \$113.4 million, respectively. Losses charged against the recourse obligation were \$177,000, \$165,000 and \$33,000 for 2004, 2003 and 2002, respectively. At December 31, 2004 and 2003, the recourse obligation related to these loans was \$387,000 and \$421,000, respectively.

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements usually require certain representations concerning credit information, loan documentation, collateral and insurability. On occasion, investors have requested the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. Upon completion of its own investigation, the Company generally repurchases or provides indemnification on certain loans. Indemnification requests are generally received within two years subsequent to sale. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans, and current economic conditions. The Company sold approximately \$1.6 billion of mortgage loans in 2004. Losses charged against the liability for estimated losses were \$393,000 for 2004. At December 31, 2004 the liability for estimated losses on repurchase and indemnification was \$310,000 and was included in other liabilities on the balance sheet.

In December 2004, the Company completed an underwritten public offering of 1.2 million shares of its common stock at \$59.50 per share. The offering was made under the Company's current shelf registration statement filed with the Securities and Exchange Commission in October 2004. In connection with the public offering, the Company entered into a forward sale agreement with an affiliate of RBC Capital Markets Corporation ("RBC") relating to 1.2 million shares of its common stock. See Note 23 for further discussion on the forward sale agreement of the Company's common stock.

In the ordinary course of business, there are legal proceedings pending against the Company and its subsidiaries. Management considers that the aggregate liabilities, if any, resulting from such actions would not have a material adverse effect on the financial position of the Company.

**(21) Derivative Financial Instruments**

The Company enters into derivative financial instruments as part of its strategy to manage its exposure to adverse changes in interest rates. Derivative instruments represent contracts between parties that result in one party delivering cash to the other party based on a notional amount and an underlying (such as a rate, security price or price index) as specified in the contract. The amount of cash delivered from one party to the other is determined based on the interaction of the notional amount of the contract with the underlying. Derivatives are also implicit in certain contracts and commitments.

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.

In accordance with SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", the Company recognizes derivative financial instruments at fair value on the Consolidated Statement of Condition, regardless of the purpose or intent for holding the instrument. Derivatives are included in other assets or other liabilities, as appropriate. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders' equity as a component of 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 the changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective hedges, are recorded as a component of comprehensive income, net of deferred taxes. Changes in fair values of derivatives not qualifying as hedges are reported in non-interest income or non-interest expense, as appropriate, during the period of the change. Derivative financial instruments are valued using market values provided by the respective counterparties and are periodically validated by comparison with other third parties.

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.

*Derivatives Designated as Hedges*

The Company hedges cash flow variability related to variable-rate funding products, specifically notes payable, subordinated notes and certain deposit products, through the use of pay-fixed interest rate swaps and interest rate caps. The Company also uses receive-fixed interest rate swaps to hedge the fair value of certain fixed rate funding products, specifically trust-preferred securities.

No interest rate cap contracts were entered into in 2004 or 2003, and the Company had no interest rate cap contracts outstanding at December 31, 2004 or December 31, 2003.

Summary information related to the interest rate swaps used by the Company for interest-rate risk management and designated as accounting hedges under SFAS 133 at December 31, 2004 and 2003 follows (in thousands):

	2004		2003	
	Notional Amount	Derivative Liability	Notional Amount	Derivative Liability
<b>CASH FLOW HEDGES</b>				
Notes payable:				
Pay-fixed interest rate swap, matures February 2004	\$ —	—	25,000	245
Subordinated note:				
Pay-fixed interest rate swap, matures October 2012	25,000	215	25,000	331
Total Cash Flow Hedges	25,000	215	50,000	576
<b>FAIR VALUE HEDGES</b>				
9.0% Trust-preferred securities:				
Callable, receive-fixed interest rate swap, matures September 2028	31,050	129	31,050	632
Total Fair Value Hedges	31,050	129	31,050	632
Total derivatives used for interest rate risk management and designated in SFAS 133 relationships	\$ 56,050	344	81,050	1,208



All of the interest rate swaps designated as hedges in SFAS 133 relationships were considered highly effective for the years ending December 31, 2004 and 2003, and none of the changes in fair value of these derivatives was attributed to hedge ineffectiveness.

Gains and losses on derivative instruments reclassified from accumulated other comprehensive income to current period earnings are included in the line item in which the hedged cash flows are recorded. At December 31, 2004 and 2003, accumulated other comprehensive income included a deferred after-tax net loss of \$107,000 and \$269,000, respectively, related to derivatives used to hedge funding cash flows. The net after-tax derivative loss included in accumulated other comprehensive income as of December 31, 2004, is projected to be reclassified into interest expense in conjunction with the recognition of interest payments on the subordinated notes through October 2012, with approximately \$57,000 of the after-tax net loss expected to be reclassified into earnings within the next year.

#### *Other 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 fixed rate 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. At December 31, 2004, the Company had approximately \$152.6 million of interest rate lock commitments and \$256.7 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 \$207,000 and the fair value of the forward commitments was reflected by an derivative asset of \$517,000. At December 31, 2003, the Company had approximately \$15.7 million of interest rate lock commitments and \$39.7 million of forward commitments for the future delivery of residential mortgage loans. The fair values of these derivatives at December 31, 2003 were nominal. The fair values were estimated based on changes in mortgage rates from the date of the commitments. Changes in the fair values of these mortgage-banking derivatives are included in mortgage banking revenue.

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 the fair value of these contracts are recognized as other non-interest income. There were no covered call or put options outstanding as of December 31, 2004 or 2003.

**(22) Fair Value of Financial Instruments**

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2004 and 2003 (in thousands):

	At December 31, 2004		At December 31, 2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets:</b>				
Cash and cash equivalents	\$ 180,987	180,987	174,777	174,777
Available-for-sale securities	1,343,477	1,343,477	906,881	906,881
Trading account securities	3,599	3,599	3,669	3,669
Brokerage customer receivables	31,847	31,847	33,912	33,912
Mortgage loans held-for-sale	104,709	104,709	24,041	24,041
Loans, net of unearned income	4,348,346	4,351,392	3,297,794	3,322,801
Accrued interest receivable	17,981	17,981	12,532	12,532
Total financial assets	\$6,030,946	6,033,992	4,453,606	4,478,613
<b>Financial Liabilities:</b>				
Non-maturity deposits	\$2,305,758	2,305,758	1,761,191	1,761,191
Deposits with stated maturities	2,798,976	2,792,833	2,115,430	2,134,953
Notes payable	1,000	1,000	26,000	26,000
Federal Home Loan Bank advances	303,501	306,337	144,026	151,993
Subordinated notes	50,000	50,000	50,000	50,000
Other borrowings	201,924	201,924	78,069	78,069
Long-term debt - trust preferred securities	204,489	205,276	96,811	101,595
Accrued interest payable	8,822	8,822	5,647	5,647
Total financial liabilities	\$5,874,470	5,871,950	4,277,174	4,309,448
<b>Derivative contracts:</b>				
Mortgage banking derivatives	\$ 310	310	—	—
Interest rate swap contracts	(344)	(344)	(1,208)	(1,208)

*Cash and cash equivalents:* Cash and cash equivalents include cash and demand balances from banks, Federal funds sold and securities purchased under resale agreements and interest bearing deposits with banks. The carrying value of cash and cash equivalents approximates fair value due to the short maturity of those instruments.

*Available-for-sale Securities:* The fair values of available-for-sale securities are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable assets.

*Trading account securities:* The fair values of trading account securities are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable assets.

*Brokerage customer receivables:* The carrying value of brokerage customer receivables approximates fair value due to the relatively short period of time to repricing of variable interest rates.

*Mortgage loans held-for-sale:* Fair value is estimated using the prices of existing commitments to sell such loans and /or the quoted market prices for commitments to sell similar loans.

*Loans:* Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real estate, etc. Each category is further segmented by interest rate type (fixed and variable) and term.

For variable-rate loans that reprice frequently, estimated fair values are based on carrying values. The fair value of residential loans is based on secondary market sources for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value for other fixed rate loans is estimated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect credit and interest rate inherent in the loan.

*Accrued interest receivable and accrued interest payable:* The carrying values of accrued interest receivable and



accrued interest payable approximate market values due to the relatively short period of time to expected realization.

*Deposit liabilities:* The fair value of deposits with no stated maturity, such as non-interest bearing deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand as of year-end (i.e. the carrying value). The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently in effect for deposits of similar remaining maturities.

*Notes payable:* The carrying value of notes payable approximates fair value due to the relatively short period of time to repricing of variable interest rates.

*Federal Home Loan Bank advances:* The fair value of Federal Home Loan Bank advances is obtained from the Federal Home Loan Bank which uses a discounted cash flow analysis based on current market rates of similar maturity debt securities to discount cash flows.

*Subordinated notes:* The carrying value of the subordinated notes payable approximates fair value due to the relatively short period of time to repricing of variable interest rates.

*Other borrowings:* Carrying value of other borrowings approximates fair value due to the relatively short period of time to maturity or repricing.

*Long-term debt - trust preferred securities:* The fair value of long-term debt - trust preferred securities of Wintrust Capital Trust I and Wintrust Capital Trust II, which have fixed rates of interest, are determined based on the quoted market prices as of the last business day of the year. The fair values of the variable rate long-term debt - trust preferred securities approximate carrying values.

*Interest rate swap agreements:* The fair value is based on quoted market prices as of the last business day of the year.

*Commitments to extend credit and standby letters of credit:* The fair value of commitments to extend credit is based on fees currently charged to enter into similar arrangements, the remaining term of the agreement, the present creditworthiness of the counterparty, and the difference between current interest rates and committed interest rates on the commitments. The majority of the Company's commitments contain variable interest rates; thus the carrying value approximates fair value.

The fair value of letters of credit is based on fees currently charged for similar arrangements. The fair value of such commitments is not material and is not shown here.

Mortgage banking derivatives consist of commitments to fund mortgages for sale into the secondary market (interest rate locks) and forward commitments to end investors for the sale of such loans. Fair value is determined based on changes in mortgage rates from the date of the commitments.

The above fair value estimates were made at a point in time based on relevant market information and other assumptions about the financial instruments. As no active market exists for a significant portion of the Company's financial instruments, fair value estimates were based on judgments regarding current economic conditions, future expected cash flows and loss experience, risk characteristics and other factors. These estimates are subjective in nature and involve uncertainties and therefore cannot be calculated with precision. Changes in these assumptions could significantly affect these estimates. In addition, the fair value estimates only reflect existing on and off-balance sheet financial instruments and do not attempt to assess the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, the value of depositor relationships, premises and equipment, intangible assets and the Company's trust and asset management businesses have not been considered.

### (23) Shareholders' Equity

A summary of the Company's common and preferred stock at December 31, 2004 and 2003 is as follows:

	2004	2003
Common Stock:		
Shares authorized	30,000,000	30,000,000
Shares issued	21,728,548	20,066,265
Shares outstanding	21,728,548	20,066,265
Cash dividend per share	\$ 0.20	\$ 0.16
Preferred Stock:		
Shares authorized	20,000,000	20,000,000
Shares issued	—	—
Shares outstanding	—	—

The Company reserves shares of its authorized common stock specifically for its Stock Incentive Plan, its Employee Stock Purchase Plan and its Directors Deferred Fee and Stock Plan. The reserved shares, and these plans, are detailed in Note 18 - Employee Benefit and Stock Plans.

The Company has designated 100,000 shares of its preferred stock as Junior Serial Preferred Stock A. These shares were designated in connection with

the adoption of a Shareholder Rights Plan in 1998, and are reserved for issuance in the event the Rights become exercisable under the plan. The Rights could be triggered in certain circumstances related to a person or group acquiring more than 15% of the Company's stock or commencing a tender or exchange offer to acquire 15% or more of the Company's stock without prior approval of the Company's

Board of Directors. The Rights are evidenced by the certificates representing shares of Common Stock, are non-detachable and do not trade separately. The Rights will expire in April 2008.

The Company has issued warrants to acquire common stock. The warrants entitle the holders to purchase one share of the Company's common stock at purchase prices ranging from \$9.90 to \$30.50 per share. Warrants outstanding at December 31, 2004 and 2003 were 131,332 and 226,089, respectively. Expiration dates on the remaining outstanding warrants at December 31, 2004 range from September 2005 through February 2013.

In December 2004, the Company completed an underwritten public offering of 1.2 million shares of its common stock at \$59.50 per share. The offering was made under the Company's current shelf registration statement filed with the Securities and Exchange Commission in October 2004. In connection with the public offering, the Company entered into a forward sale agreement with an affiliate of RBC Capital Markets Corporation ("RBC") relating to 1.2 million shares of our common stock. The 1.2 million shares of common stock were borrowed from third party market sources by RBC who then sold the shares to the public. Pursuant to the forward sale agreement, the Company must issue to RBC up to 1.2 million shares of its common stock (the Company must deliver a minimum of the lesser of 100,000 shares or the total remaining shares to be settled for each settlement date) on a settlement date or dates to be specified at the Company's discretion through a termination date of December 17, 2005. On a settlement date, assuming physical settlement of the forward sale agreement, the Company will issue shares of its common stock to RBC at the then applicable forward sale price. The forward sale price was initially \$55.93 per share, which is the public offering price of \$59.50 per share less the underwriting discount. The forward sale agreement provides that the initial forward sale price per share will be subject to daily adjustment based on a floating interest factor equal to the federal funds rate, less a spread, and will be subject to decrease by \$0.12 per share on each of February 1, 2005 and August 1, 2005, to the extent the contract is not settled in full prior thereto. The forward sale price will also be subject to decrease if the cost to RBC of borrowing the Company's common stock exceeds a specified amount. Cash proceeds received by the Company upon partial or full physical settlement of the forward sale agreement will approximate the product of the applicable number of shares being delivered and the per share forward sale price in effect on such settlement date.

Under the forward sale agreement, RBC has the right to accelerate the forward sale agreement and, in the case of (1), (2) and (3) below, require the Company to physically settle, on a date specified by RBC if (1) in its judgment, it is unable to continue to borrow a number of shares of the Company's common stock equal to the number of shares to be delivered by the Company under the forward sale agreement or the cost of borrowing the common stock has increased above a specified amount, (2) the Company declares any dividend or distribution on shares of its common stock payable in (i) excess of a specified amount, (ii) securities of another company, or (iii) any other type of securities (other than shares of the Company's common stock), rights, warrants or other assets for payment at less than the prevailing market price in RBC's judgment, (3) the closing price of the Company's common stock is equal to or less than \$30.00 per share on any trading day, (4) the Company's board of directors votes to approve a merger or takeover of the Company or similar transaction that would require its shareholders to exchange their shares for cash, securities, or other property, or (5) certain other events of default or termination events occur.

In accordance with EITF Issue 00-19 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock", the forward sale agreement is considered an equity instrument as the Company has the option to settle the forward sale agreement by means of physical delivery of its common shares, net stock settlement or cash. The 1.2 million shares of common stock subject to the agreement are not considered outstanding until issued. Additionally, the forward sale agreement is considered a free-standing derivative and was recorded at fair value or \$0 at issuance. The value of this derivative will not be adjusted assuming the Company continues to meet the requirements of EITF Issue 00-19 for classifying the forward sale agreement as an equity instrument. Also, in accordance with EITF Issue 03-06, the forward sale agreement is not considered a participating security for the purpose of determining earnings per share under SFAS 128, "Earnings per Share." However, it is presumed that the forward sale agreement will be settled in common stock and the treasury stock method will be used to determine the dilutive impact on earnings per share of the shares issuable under the forward sale agreement.

The Company issued 180,438 shares of common stock in May 2004, 475,148 shares of common stock in September 2004 and 372,535 shares of common stock in October 2004 in connection with the acquisitions of WestAmerica and Guardian, Northview, and Town, respectively.

In September 2003, the Company issued 1,377,108 of common stock, including 179,622 shares issued pursuant to the underwriters' exercise of their over-allotment option, in an underwritten public offering. Net proceeds to the Company from the sale, after deducting the underwriting discount and estimated offering expenses, were approximately \$46.1 million.

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The Company issued 81,976 shares of common stock in February 2003, 670,875 shares of common stock in October 2003 and 257,202 shares of common stock in December 2003 in connection with the acquisitions of LFCM, Advantage and Village, respectively. Additionally, 60,000 warrants to acquire the Company's common stock at \$30.50 were issued in the LFCM acquisition.

At the January 2005 Board of Directors meeting, a semi-annual cash dividend of \$0.12 per share (\$0.24 on an annualized basis) was declared. It was paid on February 22, 2005 to shareholders of record as of February 8, 2005.

The following table summarizes the components of other comprehensive income, including the related income tax effects, for the years ending December 31, 2004, 2003 and 2002 (in thousands):

	2004	2003	2002
Unrealized net gains (losses) on available-for-sale securities	\$ 651	(10,336)	3,168
Related tax (expense) benefit	145	3,602	(1,105)
Net after tax unrealized gains (losses) on available-for-sale securities	796	(6,734)	2,063
Less: reclassification adjustment for net gains (losses) realized in net income during the year	1,863	642	107
Related tax (expense) benefit	(714)	(225)	(38)
Net after tax reclassification adjustment	1,149	417	69
Unrealized net gains (losses) on available-for-sale securities, net of reclassification adjustment	(353)	(7,151)	1,994
Net unrealized gain (losses) on derivatives used as cash flow hedges	242	1,322	(871)
Related tax (expense) benefit	(79)	(463)	305
Net unrealized gains (losses) on derivatives used as cash flow hedges	163	859	(566)
Total other comprehensive income (loss)	\$ (190)	(6,292)	1,428

A roll-forward of the change in accumulated other comprehensive income for the years ending December 31, 2004, 2003 and 2002 is as follows (in thousands):

	2004	2003	2002
Accumulated other comprehensive loss at beginning of year	\$ (7,168)	(876)	(2,304)
Other comprehensive income (loss)	(190)	(6,292)	1,428
Accumulated other comprehensive loss at end of year	\$ (7,358)	(7,168)	(876)

Accumulated other comprehensive income at December 31, 2004, 2003 and 2002 is comprised of the following components (in thousands):

	2004	2003	2002
Accumulated unrealized gains (losses) on securities available-for-sale	\$ (7,251)	(6,899)	253
Accumulated unrealized losses on derivatives used as cash flow hedges	(107)	(269)	(1,129)
Total accumulated other comprehensive loss at end of year	\$ (7,358)	(7,168)	(876)

## (24) Segment Information

The Company's operations consist of four primary segments: banking, premium finance, Tricom and wealth management. Through its twelve bank subsidiaries located in suburban Chicago and Southern Wisconsin communities, the Company provides traditional community banking products and services to individuals and businesses such as accepting deposits, advancing loans, administering ATMs, maintaining safe deposit boxes, and providing other related services. The Premium Finance operations consist of financing the payment of commercial insurance premiums, on a national basis, through FIFC. Significant portions of the loans originated by FIFC are sold to the Banks and are retained in each of their loan portfolios. The Tricom segment encompasses the operations of the Company's non-bank subsidiary that provides short-term accounts receivable financing and value-added outsourced administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients throughout the United States. The Wealth Management segment includes WHTC, WHAMCO, WHI and Focused. WHTC offers trust services to existing customers of the Banks and targets affluent individuals and small to mid-size businesses whose needs command personalized attention by experienced trust and asset management professionals. WHI, a broker/dealer, provides a full-range of investment products and services tailored to meet the specific needs of individual investors, primarily in the Midwest. WHAMCO is a registered investment advisor and the investment advisory affiliate of WHI. Focused, a NASD broker/dealer, provides a full range of investment services to clients through a network of community-based financial institutions primarily in Illinois.

The four reportable segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies. In addition, each segment's customer base has varying characteristics. The Banking segment has a different regulatory environment than the Premium Finance, Tri-



com and Wealth Management segments. While the Company's chief decision makers monitor each of the twelve bank subsidiaries' operations and profitability separately, these subsidiaries have been aggregated into one reportable operating segment due to the similarities in products and services, customer base, operations, profitability measures, and economic characteristics.

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management and the chief decision makers to monitor and manage the financial performance of the Company. The accounting policies of the segments are generally the same as those described in the Summary of Significant Accounting Policies in Note 1 to the Consolidated Financial Statements. 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. Intersegment revenue and transfers are generally accounted for at current market prices. The Parent and Intersegment Eliminations reflect parent company information and intersegment eliminations.

The following is a summary of certain operating information for reportable segments (in thousands):

	Banking	Premium Finance	Tricom	Wealth Management	Parent & Intersegment Eliminations	Consolidated
<b>2004</b>						
Net interest income (expense)	\$ 142,511	48,922	3,775	7,851	(45,235)	157,824
Provision for loan losses	6,211	1,095	5	—	(1,013)	6,298
Noninterest income	41,418	7,347	3,984	32,797	(94)	85,452
Noninterest expense	103,245	13,604	5,195	38,953	(4,906)	156,091
Income tax expense (benefit)	27,099	16,503	1,027	573	(15,649)	29,553
Net income (loss)	\$ 47,374	25,067	1,532	1,122	(23,761)	51,334
<b>Total assets at end of period</b>	<b>\$6,425,880</b>	<b>774,114</b>	<b>44,614</b>	<b>75,184</b>	<b>(900,744)</b>	<b>6,419,048</b>
<b>2003</b>						
Net interest income (expense)	\$ 108,283	44,531	3,647	6,852	(42,821)	120,492
Provision for loan losses	10,183	2,165	30	—	(1,379)	10,999
Noninterest income	33,406	5,411	4,165	29,761	(151)	72,592
Noninterest expense	73,307	11,915	5,101	36,112	(3,694)	122,741
Income tax expense (benefit)	20,616	14,237	1,086	181	(14,894)	21,226
Net income (loss)	\$ 37,583	21,625	1,595	320	(23,005)	38,118
<b>Total assets at end of period</b>	<b>\$4,683,537</b>	<b>773,366</b>	<b>35,733</b>	<b>76,576</b>	<b>(821,814)</b>	<b>4,747,398</b>
<b>2002</b>						
Net interest income (expense)	\$ 89,264	34,014	4,246	4,056	(33,452)	98,128
Provision for loan losses	8,761	3,158	40	—	(1,638)	10,321
Noninterest income	25,864	4,623	3,501	26,152	532	60,672
Noninterest expense	62,324	10,761	5,053	30,730	(2,884)	105,984
Income tax expense (benefit)	15,329	9,813	1,081	(192)	(11,411)	14,620
Net income (loss)	\$ 28,714	14,905	1,573	(330)	(16,987)	27,875
<b>Total assets at end of period</b>	<b>\$3,645,466</b>	<b>517,359</b>	<b>34,977</b>	<b>75,354</b>	<b>(551,601)</b>	<b>3,721,555</b>

The Premium Finance segment information shown in the above tables was derived from their internal profitability reports, which assumes that all loans originated and sold to the banking segment are retained within the segment that originated the loans. All related loan interest income, allocations for interest expense, provisions for loan losses and allocations for other expenses are included in the Premium Finance segment. The Banking segment information also includes all amounts related to these loans, as these loans are retained within the Banks' loan portfolios. Accordingly, the Intersegment Eliminations include adjustments necessary for each category to agree with the related consolidated financial statements.

**(25) Condensed Parent Company Financial Statements**

Condensed parent company only financial statements of Wintrust follow.

**BALANCE SHEETS**

(in thousands):

	December 31,	
	2004	2003
<b>Assets</b>		
Cash	\$ 64,087	65,299
Other investments	8,979	4,443
Loan to subsidiary	900	234
Investment in subsidiaries	651,008	454,556
Goodwill	1,018	1,018
Other assets	18,198	13,761
<b>Total assets</b>	<b>\$744,190</b>	<b>539,311</b>
<b>Liabilities And Shareholders' Equity</b>		
Other liabilities	\$ 10,409	11,384
Notes payable	1,000	26,000
Subordinated notes	50,000	50,000
Other borrowings	4,380	3,700
Long-term debt - trust preferred securities	204,489	98,390
Shareholders' equity	473,912	349,837
<b>Total liabilities and shareholders' equity</b>	<b>\$744,190</b>	<b>539,311</b>

**Statements of Income**

(in thousands):

	Years Ended December 31,		
	2004	2003	2002
<b>Income</b>			
Dividends from subsidiaries	\$ 25,500	5,500	—
Other income	779	266	829
<b>Total income</b>	<b>26,279</b>	<b>5,766</b>	<b>829</b>
<b>Expenses</b>			
Interest expense	10,685	8,882	7,836
Salaries and employee benefits	2,704	2,024	1,271
Other expenses	3,217	2,325	1,756
<b>Total expenses</b>	<b>16,606</b>	<b>13,231</b>	<b>10,863</b>
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	9,673	(7,465)	(10,034)
Income tax benefit	(6,091)	(4,726)	(3,642)
Income (loss) before equity in undistributed net income of subsidiaries	15,764	(2,739)	(6,392)
Equity in undistributed net income of subsidiaries	35,570	40,857	34,267
<b>Net Income</b>	<b>\$ 51,334</b>	<b>38,118</b>	<b>27,875</b>

**Statements of Cash Flows**

(in thousands):

	Years Ended December 31,		
	2004	2003	2002
<b>Operating Activities:</b>			
Net income	\$ 51,334	38,118	27,875
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	211	166	185
Deferred income tax (benefit) expense	(76)	585	251
Tax benefit from exercises of stock options	8,671	3,579	2,809
Increase in other assets	(11,207)	(5,643)	(1,863)
Increase in other liabilities	8,132	3,687	4,422
Equity in undistributed net income of subsidiaries	(35,570)	(40,857)	(34,267)
<b>Net cash provided by (used for) operating activities</b>	<b>21,495</b>	<b>(365)</b>	<b>(588)</b>

**Investing Activities:**

Capital contributions to subsidiaries	(49,955)	(29,876)	(51,598)
Cash paid for business combinations, net	(37,245)	(1,954)	(8,437)
Other investing activity, net	149	(1,018)	(549)
Net cash used for investing activities	<u>(87,051)</u>	<u>(32,848)</u>	<u>(60,584)</u>

**Financing Activities:**

Decrease in notes payable	(28,870)	(19,325)	(2,550)
Proceeds from issuance of subordinated notes	—	25,000	25,000
Net proceeds from trust preferred securities offering	90,000	45,000	—
Common stock issuance, net	—	46,144	36,512
Common stock issued upon exercise of stock options	4,807	2,829	2,695
Common stock issued through employee stock purchase plan	1,330	1,229	974
Proceeds from conversion of common stock warrants	1,146	381	277
Dividends paid	(4,069)	(2,784)	(1,903)
Purchases of common stock	—	(17)	(10)
Net cash provided by financing activities	<u>64,344</u>	<u>98,457</u>	<u>60,995</u>
Net increase (decrease) in cash	(1,212)	65,244	(177)
Cash at beginning of year	65,299	55	232
Cash at end of year	<u>\$ 64,087</u>	<u>65,299</u>	<u>55</u>

**(26) Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per common share for 2004, 2003 and 2002 (in thousands, except per share data):

		2004	2003	2002
Net income	(A)	\$ 51,334	38,118	27,875
Average common shares outstanding	(B)	20,646	18,032	16,334
Effect of dilutive common shares		1,326	1,187	1,111
Weighted average common shares and effect of dilutive common shares	(C)	21,972	19,219	17,445
Net income per common share — Basic	(A/B)	\$ 2.49	2.11	1.71
Net income per common share — Diluted	(A/C)	\$ 2.34	1.98	1.60

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

**(27) Quarterly Financial Summary (Unaudited)**

The following is a summary of quarterly financial information for the years ended December 31, 2004 and 2003 (in thousands, except per share data):

	2004 Quarters				2003 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Interest income	\$58,754	60,553	65,377	77,063	47,239	49,265	52,473	55,014
Interest expense	22,246	23,833	26,286	31,558	20,635	20,937	20,581	21,345
Net interest income	36,508	36,720	39,091	45,505	26,604	28,328	31,892	33,669
Provision for loan losses	2,564	1,198	1,258	1,278	2,641	2,852	2,909	2,597
Net interest income after provision for loan losses	33,944	35,522	37,833	44,227	23,963	25,476	28,983	31,072
Non-interest income, excluding net securities gains	17,834	21,494	20,569	23,693	17,357	18,885	18,412	17,296
Net securities gains	852	1	878	132	386	220	31	5
Non-interest expense	34,257	37,386	38,465	45,983	28,911	30,509	31,839	31,482
Income before income taxes	18,373	19,631	20,815	22,069	12,795	14,072	15,587	16,891
Income tax expense	6,779	7,138	7,740	7,897	4,532	5,053	5,680	5,962
Net income	\$11,594	12,493	13,075	14,172	8,263	9,019	9,907	10,929
Net income per common share:								
Basic	\$ 0.58	0.61	0.64	0.66	0.48	0.52	0.56	0.55
Diluted	\$ 0.54	0.58	0.60	0.62	0.45	0.49	0.53	0.52
Cash dividends declared per common share	\$ 0.10	—	0.10	—	0.08	—	0.08	—

**(28) Pending Acquisitions And Subsequent Events**

In January 2005, the Company completed the acquisition of Antioch Holding Company, and its wholly-owned subsidiary, State Bank of The Lakes. State Bank of The Lakes had total assets of approximately \$438 million as of December 31, 2004. The aggregate purchase price was approximately \$95.4 million of cash.

On November 17, 2004, Wintrust announced the signing of a definitive agreement to acquire First Northwest Bancorp, Inc. ("First Northwest"), and its wholly-owned subsidiary, First Northwest Bank, in a stock merger transaction. First Northwest Bank had total assets of approximately \$261 million as of December 31, 2004. Pursuant to the terms of the merger, shares of First Northwest will be converted into the right to receive cash, shares of Wintrust's common stock or a combination of both. The aggregate purchase price, including the value of vested stock options and Wintrust's acquisition costs, will approximate \$45.9 million. The transaction has received all necessary regulatory approvals and is expected to close by the second quarter of 2005.

The Board of Directors and Shareholders of  
Wintrust Financial Corporation

We have audited the accompanying Consolidated Statements of Condition of Wintrust Financial Corporation and Subsidiaries as of December 31, 2004 and 2003, and the related Consolidated Statements of Income, Cash Flows and Changes in Shareholders' Equity for the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wintrust Financial Corporation and Subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Wintrust Financial Corporation's internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 4, 2005 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Chicago, Illinois  
March 4, 2005

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

The following discussion highlights the significant factors affecting the operations and financial condition of Win-trust for the three years ended December 31, 2004. This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, and Selected Financial Highlights appearing elsewhere within this report. This discussion contains forward-looking statements concerning the Company's business that are based on estimates and involve risks and uncertainties. Therefore, future results could differ significantly from management's current expectations and the related forward-looking statements. See the last section of this discussion for further information regarding forward-looking statements.

### OPERATING SUMMARY

Wintrust's key measures of profitability and balance sheet growth are shown in the following table (dollars in thousands, except per share data):

	Years Ended December 31,		% or basis point (bp)change
	2004	2003	
Net income	\$ 51,334	\$ 38,118	35%
Net income per common share - Diluted	\$ 2.34	\$ 1.98	18%
Net revenue <sup>(1)</sup>	\$ 243,276	\$ 193,084	26%
Net interest income	\$ 157,824	\$ 120,492	31%
Net interest margin <sup>(5)</sup>	3.17%	3.20%	(3) bp
Core net interest margin <sup>(2)(5)</sup>	3.31%	3.32%	(1) bp
Net overhead ratio <sup>(3)</sup>	1.30%	1.22%	8 bp
Efficiency ratio <sup>(4)(5)</sup>	64.45%	63.52%	93 bp
Return on average assets	0.94%	0.93%	1 bp
Return on average equity	13.12%	14.36%	(124) bp
At end of period:			
Total assets	\$ 6,419,048	\$ 4,747,398	35%
Total loans	\$ 4,348,346	\$ 3,297,794	32%
Total deposits	\$ 5,104,734	\$ 3,876,621	32%
Total equity	\$ 473,912	\$ 349,837	35%
Book value per common share	\$ 21.81	\$ 17.43	25%
Market price per common share	\$ 56.96	\$ 45.10	26%
Common shares outstanding	21,728,548	20,066,265	8%

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

(2) Core net interest margin excludes 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 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 (excluding securities gains or losses). A lower ratio indicates more efficient revenue generation.

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

Wintrust's net income increased 35% in 2004, after increasing 37% in 2003. On a per share basis, net income per diluted common share increased 18% in 2004 and 24% in 2003. The lower growth rates in the earnings per share in 2004 and 2003, as compared to net income, were partly due to the issuances of additional common shares throughout 2003 and 2004. The Company issued 1.4 million shares of common stock in September 2003, in a secondary stock offering, 1.0 million shares of common stock throughout 2003 in connection with business combinations and an additional 1.0 million shares throughout 2004 in connection with business combinations.

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

### NON-GAAP FINANCIAL MEASURES/RATIOS

The accounting and reporting policies of the Company conform to generally accepted accounting principles ("GAAP") in the United States and prevailing practices of 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 accurate view of the performance of the interest-earning assets and interest-bearing liabilities and of the Company's operating efficiency. Other financial holding companies may define or calculate these measures and ratios differently.

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

Management also evaluates the net interest margin excluding the interest expense associated with the Company's Long-term debt — trust preferred securities ("Core Net Inter-

est 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 accurate view of the operational net interest margin of the Company.

The following table presents a reconciliation of the non-GAAP measures of taxable equivalent net interest income and net interest margin, core net interest margin and the efficiency ratio to the most directly comparable GAAP financial measures for the years ended December 31, 2004, 2003 and 2002 (dollars in thousands):

	Years Ended December 31,		
	2004	2003	2002
<b>(A) Interest income (GAAP)</b>	<b>\$261,746</b>	\$203,991	\$182,233
Taxable-equivalent adjustment			
- Loans	450	474	685
- Liquidity management assets	285	236	209
- Other earning assets	50	67	—
Interest income - FTE	<b>\$262,531</b>	\$204,768	\$183,127
<b>(B) Interest expense (GAAP)</b>	<b>103,922</b>	83,499	84,105
Net interest income - FTE	<b>\$158,609</b>	\$121,269	\$ 99,022
<b>(C) Net interest income (GAAP) (A minus B)</b>	<b>\$157,824</b>	\$120,492	\$ 98,128
Net interest income - FTE	<b>\$158,609</b>	\$121,269	\$ 99,022
Add: Interest expense on long-term debt - trust preferred securities <sup>(1)</sup>	7,213	4,530	4,931
Core net interest income - FTE <sup>(2)</sup>	<b>\$165,822</b>	\$125,799	\$103,953
<b>(D) Net interest margin (GAAP)</b>	<b>3.15%</b>	3.18%	3.31%
Net interest margin - FTE	<b>3.17%</b>	3.20%	3.34%
Core net interest margin - FTE <sup>(2)</sup>	<b>3.31%</b>	3.32%	3.51%
<b>(E) Efficiency ratio (GAAP)</b>	<b>64.66%</b>	63.78%	66.79%
Efficiency ratio - FTE	<b>64.45%</b>	63.52%	66.41%

(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 a non-GAAP measure/ratio. The GAAP equivalents are the net interest income and net interest margin determined in accordance with GAAP (lines C and D in the table).

## OVERVIEW AND STRATEGY

Wintrust is a financial holding company, providing traditional community banking services as well as a full array of wealth management services. The Company has grown rapidly during the past few years and its Banks have been among the fastest growing community-oriented *de novo* banking operations in Illinois and the country. As of December 31, 2004, the Company operated twelve community-oriented bank subsidiaries (the “Banks”) with 50 banking locations, compared to nine Banks with 36 banking locations at December 31, 2003. In 2004, the Company acquired two banks with six locations, started a *de novo* bank, and opened seven new branches. The historical financial performance of the Company has been affected by costs associated with growing market share in deposits and loans, establishing new banks and opening new branch facilities, and building an experienced management team. The Company’s financial performance over the past several years generally reflects improving profitability of its operating subsidiaries, as they mature, offset by the costs of opening new banks and branch facilities. The Company’s experience has been that it generally takes 13-24 months for new banking offices to first achieve operational profitability.

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 Banks and non-bank subsidiaries. One aspect of this strategy is to continue to pursue specialized lending or 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.

Wintrust also provides a full range of wealth management services through its trust, asset management and broker-dealer subsidiaries.

### ***De Novo Bank Formations, Branch Openings and Acquisitions***

The Company developed its community banking franchise through the formation of eight *de novo* banks, the opening of branch offices of the Banks and acquisitions. As of December 31, 2004, the Company had twelve bank subsidiaries with 50 banking facilities. Construction of several other banking offices is currently underway. In addition, the Company completed the acquisition of State Bank of The Lakes, with five banking offices, in January 2005. Following is a summary of the expansion of the Company's banking franchise through newly chartered banks, new branching locations and acquisitions over the last three years.

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

- Opened the Company's eighth *de novo* bank, Beverly Bank

#### *Opened the following branch locations*

- Community Bank of Downers Grove, a branch of Hinsdale Bank
- Buffalo Grove Bank, a branch of Northbrook Bank
- Highland Park Bank — Ravinia, a branch of Lake Forest Bank
- Gurnee Community Bank, a branch of Libertyville Bank
- Lake Villa Community Bank, a branch of Libertyville Bank
- Sauganash, a branch of North Shore Community Bank
- Wayne Hummer Bank, a branch of North Shore Community Bank

#### *Acquired the following banks*

- Northview Bank with two locations in Northfield, one in Wheaton and one in Mundelein
- Town Bank, with locations in Delafield and Madison, Wisconsin

#### ***2003 Banking Expansion Activity***

#### *Opened the following branch location*

- Cary Bank, a branch of Crystal Lake Bank

#### *Acquired the following banks*

- Advantage Bank, with locations in Elk Grove Village and Roselle
- Village Bank, with locations in Arlington Heights and Prospect Heights

#### ***2002 Banking Expansion Activity***

#### *Opened the following branch locations*

- Highland Park Bank, a branch of Lake Forest Bank
- Riverside Bank, a branch of Hinsdale Bank

### **Earning Asset, Wealth Management and other Business Niches**

As previously mentioned, the Company continues to pursue specialized earning asset and business niches in order to maximize the Company's revenue stream as well as diversify its loan portfolio. A summary of the Company's more significant earning asset niches and non-bank operating subsidiaries follows.

In February 2002, the Company acquired 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. In February 2003, the Company acquired Lake Forest Capital Management ("LFCM"), a registered investment advisor, which 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 that opened in 1936 and serves the greater Appleton area. As of December 31, 2004, WHI established branch locations in offices at Lake Forest Bank, Hinsdale Bank, Libertyville Bank, Barrington Bank, Crystal Lake Bank, Advantage Bank, and Town Bank. It is the Company's intent to continue to open WHI branches 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, and has approximately \$5.1 billion in client assets at December 31, 2004.

WHAMC, a registered investment advisor, is the investment advisory affiliate of WHI and is advisor to the Wayne Hummer mutual funds. WHAMC also provides money management services and advisory services to individuals and institutional, municipal and tax-exempt organizations. WHAMC also provides portfolio management and financial supervision for a wide-range of pension and profit sharing plans. At December 31, 2004 individual accounts managed by WHAMC totaled approximately \$854 million and the Wayne Hummer mutual funds had approximately \$187 million in total assets.

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 community-based financial institutions primarily in Illinois.

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. With a separately chartered trust subsidiary, the Company is better able to offer trust and investment management services to all communities served by the Banks. The trust subsidiary was originally named Wintrust Asset Management Company, and was renamed in May 2002 to Wayne Hummer Trust Company (“WHTC”) to align its name with the Company’s other wealth management companies. In addition to offering trust 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. Assets under administration by WHTC as of December 31, 2004 were approximately \$633 million.

First Insurance Funding Corp. (“FIFC”) is the Company’s most significant specialized earning asset niche, originating approximately \$2.6 billion in loan (premium finance receivables) volume during 2004. 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 growth in origination volume in 2004, FIFC sold approximately \$496 million, or 19%, of the receivables generated during the year 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 during 1999. 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 depends on the level of new volume growth in relation to the capacity to retain such loans within the Banks’ loan portfolios. See Consolidated Results of Operations for further information on these loan sales.

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 West-America Mortgage Company (“WestAmerica”) and West-America’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 its 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 eight 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 expand the mortgage products offered to the Banks’ customers. WestAmerica’s production of adjustable rate mortgage loans 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 October 1999, the Company acquired Tricom, Inc. (“Tricom”) as part of its continuing strategy to pursue specialized earning asset niches. Tricom is a Milwaukee-based company 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 received by the 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. Tricom processed payrolls with associated client billings of approximately \$354 million in 2004 and \$305 million in 2003.

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, equipment leasing which is conducted at Lake Forest 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 a specialty in small aircraft lending. The Company continues to pursue the development or acquisition of other specialty lending businesses that generate assets suitable for bank investment and/or secondary market sales.

## **SUMMARY OF CRITICAL ACCOUNTING POLICIES**

The Company’s Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the United States and prevailing practices of the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. 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. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

A summary of the Company’s significant accounting policies is presented in Note 1 to the Consolidated Financial Statements. These policies, along with the disclosures presented in the other financial statement notes and in this Management’s Discussion and Analysis section, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management 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 the most subject to revision as new information becomes available.

*Allowance for Loan Losses*

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows in impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which are susceptible to significant change. The loan portfolio also represents the largest asset type on the consolidated balance sheet. Management has established credit committees at each of the Banks that evaluate the credit quality of the loan portfolio and the level of the adequacy of the allowance for loan losses. See Note 1 to the Consolidated Financial Statements and the section titled "Credit Risk and Asset Quality" later in this report for a description of the methodology used to determine the allowance for loan losses.

*Sales of Premium Finance Receivables*

The gains on the sale of premium finance receivables are determined based on management's estimates of the underlying future cash flows of the loans sold. Cash flow projections are used to allocate the Company's initial investment in a loan between the loan, the servicing asset and the Company's retained interest, including its guarantee obligation, based on their relative fair values. Gains or losses are recognized for the difference between the proceeds received and the cost basis allocated to the loan. The Company's retained interest includes a servicing asset, an interest only strip and a guarantee obligation pursuant to the terms of the sale agreement. The estimates of future cash flows from the underlying loans incorporate assumptions for prepayments, late payments and other factors. The Company's guarantee obligation is estimated based on the historical loss experience and credit risk factors of the loans. If actual cash flows from the underlying loans are less than originally anticipated, the Company's retained interest may be impaired, and such impairment would be recorded as a charge to earnings. Because the terms of the loans sold are less than ten months, the estimation of the cash flows is inherently easier to monitor than if the assets had longer durations, such as mortgage loans. See Note 1 to the Consolidated Financial Statements and the section titled "Non-interest Income" later in this report for further analysis of the gains on sale of premium finance receivables.

*Impairment Testing of Goodwill*

As required by Statement of Financial Accounting Standards ("SFAS") 142, "Goodwill and Other Intangible Assets," the Company performs annual impairment testing of goodwill. Valuations are estimated in good faith by management primarily through the use of publicly available valuations of comparable entities and internal cash flow models using financial projections in the reporting unit's business plan.

## CONSOLIDATED RESULTS OF OPERATIONS

The following discussion of Wintrust's results of operations requires an understanding that the Company's twelve bank subsidiaries have all been started as new banks since December 1991. The Company's premium finance company, FIFC, began limited operations in 1991 as a start-up company. The Company's trust subsidiary, WHTC, began operations in September 1998. Previously, the Company's Lake Forest Bank operated a trust department on a much smaller scale than WHTC. Tricom started operations as a new company in 1989 and was acquired by the Company in 1999. In February 2002, Wintrust acquired the Wayne Hummer Companies, expanding and diversifying its revenue streams with asset management and brokerage fees. In February 2003, the Company augmented its asset management business with the acquisition of Lake Forest Capital Management. In May 2004, the Company acquired West-America and Guardian to enhance and diversify its earning asset base and revenue stream. Wintrust started eight of its bank subsidiaries as *de novo* institutions and made its first bank acquisition in 2003. In the fourth quarter of 2003, the Company acquired Advantage Bank and Village Bank, and in September 2004 and October 2004, the Company acquired Northview Bank (which has been renamed Wheaton Bank) and Town Bank, respectively. Accordingly, Wintrust is still a young company that has a strategy of continuing to build its customer base and securing broad product penetration in each marketplace that it serves. The Company has expanded its banking franchise from three banks with five offices in 1994 to 12 banks with 50 offices at the end of 2004. FIFC has matured from its limited operations in 1991 to a company that generated, on a national basis, \$2.6 billion in premium finance receivables in 2004. In addition, WHTC has been building a team of experienced trust professionals who are located within the banking offices of seven of the 12 subsidiary Banks. These expansion activities have understandably suppressed faster, opportunistic earnings. However, as the Company matures and existing banks become more profitable, the start-up costs associated with future bank and branch openings and other new financial services ventures will not have as significant an impact on earnings. Additionally, the Company's more mature banks have several operating ratios that are either comparable to or better than peer group data, suggesting that as the Banks become more established, the overall earnings level will continue to increase.

### Earnings Summary

Net income for the year ended December 31, 2004, totaled \$51.3 million, or \$2.34 per diluted common share, compared to \$38.1 million, or \$1.98 per diluted common share in 2003 and \$27.9 million, or \$1.60 per diluted common share, in 2002. During 2004, net income increased 35% while earnings per diluted common share increased 18% and during 2003, net income increased 37% while earnings per diluted common share increased 24%. The lower growth rates in the earnings per share in 2004 and 2003, as compared to net income, were due incremental shares outstanding from the issuance of 1.0 million shares of common stock in 2004 in connection with the acquisitions of WestAmerica and Guardian, Northview and Town Bank, the issuance of approximately 1.4 million shares of common stock in 2003 from an additional stock offering and the issuance of 1.0 million shares of common stock in 2003 in connection with the acquisitions of LFCM, Advantage Bank and Village Bank. Return on average equity was 13.12% in 2004, 14.36% in 2003 and 14.76% in 2002.

### Net Interest Income

The primary source of the Company's revenue is net interest income. Net interest income is the difference between interest income and fees on earning assets, such as loans and securities, and interest expense on the liabilities to fund those assets, including interest bearing deposits and other borrowings. The amount of net interest income is affected by both changes in the level of interest rates and the amount and composition of earning assets and interest bearing liabilities. In order to compare the tax-exempt asset yields to taxable yields, interest income in the following discussion and tables is adjusted to tax-equivalent yields based on the marginal corporate Federal tax rate of 35%.

Tax-equivalent net interest income in 2004 totaled \$158.6 million, up from \$121.3 million in 2003 and \$99.0 million in 2002, representing increases of \$37.3 million, or 31%, in 2004 and \$22.2 million, or 23%, in 2003. These improved levels of net interest income were primarily attributable to increases in average earning assets. The table presented later in this section, titled "Changes in Interest Income and Expense," presents the dollar amount of changes in interest income and expense, by major category, attributable to changes in the volume of the balance sheet category and changes in the rate earned or paid with respect to that cate-

gory of assets or liabilities for 2004 and 2003. Average earning assets increased \$1.2 billion, or 32%, in 2004 and \$819.3 million, or 28%, in 2003. Loans are the most significant component of the earning asset base as they earn interest at a higher rate than the other earning assets. Average loans increased \$901.5 million, or 30%, in 2004 and \$605.2 million, or 26%, in 2003. Total average loans as a percentage of total average earning assets were 77.1%, 78.2% and 79.4% in 2004, 2003, and 2002, respectively. The average yield on loans was 5.66% in 2004, 5.91% in 2003 and 6.75% in 2002, reflecting decreases of 25 basis points in 2004 and 84 basis points in 2003. These decreases reflect the competitive loan pricing pressures and the sustained decreases in overall market rates experienced during 2003 and 2002. Similarly, the average rate paid on interest bearing deposits, the largest component of the Company's interest bearing liabilities, was 2.08% in 2004, 2.19% in 2003 and 2.92% in 2002, representing decreases of 11 basis points in 2004 and 73 basis points in 2003.

Net interest margin, which reflects net interest income as a percent of average earning assets, was 3.17% in 2004, 3.20% in 2003 and 3.34% in 2002. The net interest margin compression in 2004 and 2003 was due to the Company's asset sensitive balance sheet and the on-going effects of a low interest rate environment, which resulted in reduced asset yields and narrower spreads on deposits. Additionally, the slightly lower level of average loans to total average earning assets as excess funds are invested in lower yielding liquidity management assets contributed to the net interest margin compression.

The core net interest margin, which excludes the impact of the Company's Trust Preferred Securities, was 3.31% in 2004, 3.32% in 2003 and 3.51% in 2002. Management evaluates the net interest margin excluding the interest expense associated with the Company's long-term debt — trust preferred securities. 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 accurate view of the operational net interest margin of the Company. See Non-GAAP Financial Measures/Ratios section of this report.

Net interest income and net interest margin were also affected by amortization of valuation adjustments to earning assets and interest-bearing liabilities of acquired businesses. Under the purchase method of accounting, assets and liabilities of acquired businesses are required to be recognized at their estimated fair value at the date of acquisition. These valuation adjustments represent the difference between the estimated fair value and the carrying value of assets and liabilities acquired. These adjustments are amortized into interest income and interest expense based upon the estimated remaining lives of the assets and liabilities acquired. See Note 7 of the Consolidated Financial Statements for further discussion of the Company's business combinations.

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

The following table sets forth the average balances, the interest earned or paid thereon, and the effective interest rate, yield or cost for each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2004, 2003 and 2002. The yields and costs include loan origination fees and certain direct origination costs that are considered adjustments to yields. Interest income on non-accruing loans is reflected in the year that it is collected, to the extent it is not applied to principal. Such amounts are not material to net interest income or the net change in net interest income in any year. Non-accrual loans are included in the average balances and do not have a material effect on the average yield. Net interest income and the related net interest margin have been adjusted to reflect tax-exempt income, such as interest on municipal securities and loans, on a tax-equivalent basis. This table should be referred to in conjunction with this analysis and discussion of the financial condition and results of operations (dollars in thousands).

	Years Ended December 31,								
	2004			2003			2002		
	Average Balance <sup>(1)</sup>	Interest	Average Yield/Rate	Average Balance <sup>(1)</sup>	Interest	Average Yield/Rate	Average Balance <sup>(1)</sup>	Interest	Average Yield/Rate
<b>Assets</b>									
Interest bearing deposits with banks	\$ 5,447	\$ 80	1.47%	\$ 5,885	\$ 127	2.16%	2,212	\$ 45	2.03%
Securities	1,031,574	41,176	3.99	670,167	26,105	3.90	447,183	20,006	4.47
Federal funds sold and securities purchased under resale agreements	71,870	934	1.30	109,842	2,037	1.85	106,466	1,774	1.67
Total liquidity management assets <sup>(2)(8)</sup>	1,108,891	42,190	3.80	785,894	28,269	3.60	555,861	21,825	3.93
Other earning assets <sup>(2)(3)</sup>	38,901	1,593	4.10	38,418	1,547	4.03	54,327	2,303	4.24
Loans, net of unearned income <sup>(2)(4)(8)</sup>	3,861,683	218,748	5.66	2,960,188	174,952	5.91	2,355,020	158,999	6.75
Total earning assets <sup>(8)</sup>	5,009,475	262,531	5.24	3,784,500	204,768	5.41	2,965,208	183,127	6.18
Allowance for loan losses	(30,014)			(21,738)			(16,090)		
Cash and due from banks	92,299			81,022			58,479		
Other assets	379,767			272,834			204,870		
Total assets	\$5,451,527			\$4,116,618			\$3,212,467		
<b>Liabilities and Shareholders' Equity</b>									
Deposits - interest bearing:									
NOW accounts <sup>(9)</sup>	\$ 841,806	\$ 7,318	0.87%	\$ 641,536	\$ 4,534	0.71%	\$ 405,198	\$ 5,108	1.26%
Savings and money market accounts	725,963	6,281	0.87	597,570	5,202	0.87	505,478	7,710	1.53
Time deposits	2,433,036	69,536	2.86	1,865,818	58,227	3.12	1,486,715	57,243	3.85
Total interest bearing deposits	4,000,805	83,135	2.08	3,104,924	67,963	2.19	2,397,391	70,061	2.92
Federal Home Loan Bank advances	222,278	8,070	3.63	141,196	5,932	4.20	119,041	4,954	4.16
Notes payable and other borrowings	154,577	2,358	1.53	92,175	2,562	2.78	127,244	3,854	3.03
Subordinated notes	50,000	2,891	5.78	41,849	2,486	5.94	4,384	305	6.86
Long-term debt - trust preferred securities	130,830	7,468	5.71	70,248	4,556	6.48	51,050	4,931	9.66
Total interest bearing liabilities	4,558,490	103,922	2.28	3,450,392	83,499	2.42	2,699,110	84,105	3.12
Non-interest bearing deposits	400,333			321,735			262,888		
Other liabilities	101,369			78,996			61,620		
Equity	391,335			265,495			188,849		
Total liabilities and shareholders' equity	\$5,451,527			\$4,116,618			\$3,212,467		
Interest rate spread <sup>(5)(8)</sup>			2.96%			2.99%			3.06%
Net free funds/contribution <sup>(6)</sup>	\$ 450,985		0.21%	\$ 334,108		0.21%	\$ 266,098		0.28%
Net interest income/Net interest margin <sup>(8)</sup>		\$158,609	3.17%		\$121,269	3.20%		\$ 99,022	3.34%
Core net interest margin <sup>(7)(8)</sup>			3.31%			3.32%			3.51%

(1) Average balances were generally computed using daily balances.

(2) Interest income on tax-advantaged loans, trading account securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments reflected in the above table are \$785,000, \$777,000 and \$894,000 in 2004, 2003 and 2002, 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 are the difference between total average earning assets and total average interest-bearing liabilities. The estimated contribution to net interest margin from net free funds is calculated using the rate paid for total interest-bearing liabilities.*
- (7) *The core net interest margin excludes the effect of Wintrust's Long-term Debt – Trust Preferred Securities.*
- (8) *See “Non-GAAP Financial Measures/Ratios” for additional information on this performance measure/ratio.*
- (9) *Includes wealth management deposits.*

The Company uses interest rate swaps and interest rate caps to manage exposure to changes in interest rates. The cash flows generated by derivative instruments deemed to be effective hedges are included in interest income or expense of the hedged item and consequently affect the yields on those assets and liabilities. In addition, for fair value hedges, the carrying amounts of the hedged items are adjusted as a result of changes in the fair value of the derivatives, which also affects the yields on those items. During 2004 and 2003, the Company had interest rate swaps that affected the yields on various funding sources. See Notes 1 and 21 of the Consolidated Financial Statements for further discussion of the Company's derivative instruments and the accounting policies for derivatives.

### Changes in Interest Income and Expense

The following table shows the dollar amount of changes in interest income (on a tax-equivalent basis) and expense by major categories of interest-earning assets and interest-bearing liabilities attributable to changes in volume or rate for the periods indicated (in thousands):

	Years Ended December 31,					
	2004 Compared to 2003			2003 Compared to 2002		
	Change Due to Rate	Change Due to Volume	Total Change	Change Due to Rate	Change Due to Volume	Total Change
<b>Interest income:</b>						
Interest bearing deposits with banks	\$ (39)	(8)	(47)	3	79	82
Securities	616	14,455	15,071	(2,818)	8,917	6,099
Federal funds sold and securities purchased under resale agreement	(507)	(596)	(1,103)	204	59	263
Total liquidity management assets	70	13,851	13,921	(2,611)	9,055	6,444
Other earning assets	27	19	46	(109)	(647)	(756)
Loans	(7,675)	51,471	43,796	(21,450)	37,403	15,953
Total interest income	(7,578)	65,341	57,763	(24,170)	45,811	21,641
<b>Interest expense:</b>						
Deposits - interest bearing:						
NOW accounts	1,160	1,624	2,784	(2,795)	2,221	(574)
Savings and money market accounts	—	1,079	1,079	(3,744)	1,236	(2,508)
Time deposits	(5,168)	16,477	11,309	(12,029)	13,013	984
Total interest expense - deposits	(4,008)	19,180	15,172	(18,568)	16,470	(2,098)
Federal Home Loan Bank advances	(893)	3,031	2,138	48	930	978
Notes payable and other borrowings	(1,463)	1,259	(204)	(298)	(994)	(1,292)
Subordinated notes	(69)	474	405	(51)	2,232	2,181
Long-term debt - trust preferred securities	(597)	3,509	2,912	(1,903)	1,528	(375)
Total interest expense	(7,030)	27,453	20,423	(20,772)	20,166	(606)
<b>Net interest income</b>	<b>\$ (548)</b>	<b>37,888</b>	<b>37,340</b>	<b>(3,398)</b>	<b>25,645</b>	<b>22,247</b>

The changes in net interest income are created by changes in both interest rates and volumes. The change in the Company's net interest income for the periods under review was predominantly impacted by the growth in the volume of the overall interest-earning assets (specifically loans) and interest-bearing deposit liabilities. In the table above, volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the change in rate multiplied by the previous year's volume. The change in interest due to both rate and volume has been allocated between factors in proportion to the relationship of the absolute dollar amounts of the change in each. The change in interest due to the differing number of days in the year for 2004 compared to 2003 has been allocated entirely to the change due to volume.

## Provision for Loan Losses

The provision for loan losses totaled \$6.3 million in 2004, \$11.0 million in 2003 and \$10.3 million in 2002. Net charge-offs totaled \$2.7 million in 2004, \$5.5 million in 2003 and \$5.6 million in 2002. The allowance for loan losses as a percentage of loans at December 31, 2004, 2003 and 2002, was 0.79%, 0.77% and 0.72%, respectively. Non-performing loans were \$18.6 million and \$23.7 million at December 31, 2004 and 2003, respectively. While management believes the allowance for loan losses is adequate to provide for losses inherent in the portfolio, there can be no assurances that losses will not exceed the amounts provided for, thereby affecting future results of operations. The amount of future additions to the allowance for loan losses will be dependent upon the economy, changes in real estate values, interest rates, the regulatory environment, the level of past-due and non-performing loans, and other factors. Please refer to the "Credit Risk and Asset Quality" section of this report for further discussion of the Company's loan loss experience and non-performing assets.

## Non-interest Income

Non-interest income totaled \$85.5 million in 2004, \$72.6 million in 2003 and \$60.7 million in 2002, reflecting increases of 18% in 2004 compared to 2003, and 20% in 2003 compared to 2002. Non-interest income as a percentage of net revenue declined to 35% in 2004 compared to 38% in 2003 and 2002. The bank acquisitions in 2003 and 2004 contributed to this decline as their predominant source of revenue is net interest income. The following table presents non-interest income by category for 2004, 2003 and 2002 (in thousands).

	Years ended December 31,			2004 compared to 2003		2003 compared to 2002	
	2004	2003	2002	\$ Change	% Change	\$ Change	% Change
Brokerage	\$ 22,892	21,317	18,873	\$ 1,575	7.4%	\$ 2,444	12.9%
Trust and asset management	8,764	7,554	6,356	1,210	16.0	1,198	18.8
Total wealth management fees	31,656	28,871	25,229	2,785	9.6	3,642	14.4
Mortgage banking revenue	18,250	16,718	13,271	1,532	9.2	3,447	26.0
Service charges on deposit accounts	4,100	3,525	3,121	575	16.3	404	12.9
Gain on sales of premium finance receivables	7,347	4,911	3,374	2,436	49.6	1,537	45.6
Administrative services revenue	3,984	4,151	3,501	(167)	(4.0)	650	18.6
Fees from covered call and put options	11,121	7,873	5,959	3,248	41.3	1,914	32.1
Net available-for-sale securities gains	1,863	642	107	1,221	190.2	535	500.0
Other:							
Bank Owned Life Insurance	1,997	1,952	803	45	2.3	1,149	143.1
Partial recovery of premium finance defalcation	—	500	1,250	(500)	(100.0)	(750)	(60.0)
Miscellaneous	5,134	3,449	4,057	1,685	48.9	(608)	(15.0)
Total other	7,131	5,901	6,110	1,230	20.8	(209)	(3.4)
<b>Total non-interest income</b>	<b>\$ 85,452</b>	<b>72,592</b>	<b>60,672</b>	<b>\$ 12,860</b>	<b>17.7%</b>	<b>\$ 11,920</b>	<b>19.6%</b>

Wealth management fees are comprised of the trust and asset management revenue of WHTC, the asset management fees generated by WHAMC and the brokerage income generated by WHI and Focused. Trust and asset management fees represent WHTC's trust fees which include fees earned on assets under management, custody fees and other trust related fees and WHAMC's fees for advisory services to individuals and institutions, municipal and tax-exempt organizations, including the management of the Wayne Hummer proprietary mutual funds. The brokerage income generated by WHI and Focused includes brokerage commissions, trading commissions and insurance product commissions.

Brokerage revenue totaled \$22.9 million in 2004, an increase of \$1.6 million, or 7%, compared to 2003. In 2003, brokerage revenue totaled \$21.3 million and increased \$2.4 million, or 13%, compared to 2002. Brokerage revenue in 2004 benefited as the Company continued to increase the number of brokers in its banking locations. The increase in 2003 is attributable to higher trading volumes resulting from rebounding equity markets in 2003.

Trust and asset management fees totaled \$8.8 million in 2004, an increase of \$1.2 million, or 16%, compared to 2003. In 2003, trust and asset management fees totaled \$7.6 million and increased \$1.2 million, or 19%, compared to 2002. These fees are based primarily on the market value of the assets under management or administration. Trust assets and assets under management totaled \$1.7 billion at December 31, 2004, \$1.6 billion at December 31, 2003 and \$1.2 billion at December 31, 2002. LFCM, which was acquired by the Company in February 2003 and merged into WHAMC, contributed \$1.4 million in asset management fees in 2003. Offsetting the revenue from the LFCM accounts in 2003 was a decrease of approximately \$887,000 in fees generated from the Wayne Hummer Money Market Mutual Fund. In 2003 the Company continued its efforts to migrate funds from the Wayne Hummer Money Market Fund managed by WHAMC to insured deposits at the Banks and ultimately liquidated this proprietary fund in December 2003. Fees generated by WHAMC from the management of this fund totaled \$495,000 in 2003 and \$1.4 million in 2002.

Mortgage banking revenue includes revenue from activities related to originating and selling residential real estate loans into the secondary market. With the addition of WestAmerica and Guardian in May 2004, this revenue line now includes gains on the sales of mortgage loans to the secondary market, origination fees, rate lock commitment fees, document preparation fees, the impact of capitalizing servicing rights on loans sold and serviced by certain Wintrust Banks and the impact of amortizing and valuing the capitalized servicing right asset. These fees totaled \$18.3 million in 2004, \$16.7 million in 2003, and \$13.3 million in 2002, reflecting increases of \$1.5 million, or 9%, in 2004, and \$3.4 million, or 26%, in 2003. West-America and Guardian contributed \$10.6 million to mortgage banking revenue since they were acquired by the Company in May 2004 while mortgage banking revenue generated by the Banks declined approximately \$9.0 million in 2004. Although mortgage banking revenue is a continuous source of revenue, these fees are significantly impacted by mortgage interest rates. Mortgage banking revenue in 2003 and 2002 reflected a strong mortgage origination and refinance market driven by the historically low interest rate environment. The rates on mortgage loans originated and sold into the secondary market rose in the fourth quarter of 2003 causing the long-running refinance boom to slow dramatically.

Service charges on deposit accounts totaled \$4.1 million in 2004, \$3.5 million in 2003 and \$3.1 million in 2002. These increases of 16% in 2004 and 13% in 2003, were due mainly to increases in average total deposits of 28% in 2004 and 29% in 2003. 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.

As a result of continued strong loan originations of premium finance receivables, FIFC sold premium finance receivables to an unrelated third party in each of the last three years and recognized gains totaling \$7.3 million in 2004, \$4.9 million in 2003 and \$3.4 million in 2002, related to this activity. Loans sold totaled \$496 million in 2004, \$274 million in 2003 and \$311 million in 2002, representing 19%, 12% and 20%, of FIFC's total originations in 2004, 2003 and 2002, respectively.

FIFC continues to service the loans sold, and recognizes its retained interest in the loans sold which consists of 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 FIFC is contractually entitled to receive from the customer, including an estimate of late fees, the amounts due to the purchaser of the loans, commissions paid to insurance 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 monitors the performance of these loans on a "static pool" basis and adjusts the assumptions in its cash flow model when warranted. These loans have relatively short maturities (less than 12 months) and prepayments are not highly correlated to movements in interest rates. Due to the short-term nature of these loans, the Company believes that the book value of the servicing asset approximates fair value.

The Company capitalized \$4.1 million and amortized \$3.0 million in servicing assets related to the sale of these loans in 2004, and capitalized \$2.3 million and amortized \$2.6 million in servicing assets related to sale of these loans in 2003. As of December 31, 2004, the Company's retained interest in the loans sold included a servicing asset of \$2.0 million, an interest only strip of \$3.3 million and a liability for its recourse obligation of \$387,000.

Gains are significantly dependent on 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 rates 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 ranged from 4.02% to 4.84% in 2004, compared to 4.44% to 4.82% in 2003 and 3.97% to 5.61% in 2002. The higher amount of gain recognized in 2004 compared to 2003, was primarily due to a higher volume of loans sold during 2004.

The Company typically makes a clean up call by repurchasing the remaining loans in the pools sold after approximately ten 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. During 2004 and 2003, clean-up calls resulted in increased gains (primarily from reversing the remaining balance of recourse obligations on repurchased loans) of \$272,000 and \$587,000, respectively, while clean-up calls during 2002 resulted in charges of approximately \$908,000. The Company continuously monitors the performance of the loan pools to the projections and adjusts the assumptions in its cash flow model when warranted. Credit losses on loans sold were estimated at 0.25% of the estimated average balances in 2004, a range of 0.40% to 0.50% in 2003 and 0.75% in 2002. The decrease in estimated credit losses during 2004 and 2003 was a result of a lower level of charge-offs in 2004 compared to 2003 and in 2003 compared to 2002 in FIFC's overall premium finance receivables portfolio. The gains are also influenced by the number of months these loans are estimated to be outstanding. The estimated average terms of the loans were eight months in 2004, 2003 and 2002. The applicable discount rate used in determining gains related to this activity was the same in 2004, 2003 and 2002.

At December 31, 2004 and 2003, premium finance loans sold and serviced for others for which the Company retains a recourse obligation related to credit losses totaled approximately \$250.9 million and \$113.4 million, respectively. The remaining estimated recourse obligation carried in other liabilities was approximately \$387,000 and \$421,000, at December 31, 2004 and 2003, respectively. Credit losses incurred on loans sold are applied against the recourse obligation liability that is established at the date of sale. Credit losses, net of recoveries, for premium finance receivables sold and serviced for others totaled \$177,000 in 2004, \$165,000 in 2003 and \$34,000 in 2002. At December 31, 2004, non-performing loans related to this sold portfolio were approximately \$2.5 million, or 0.98% of the sold loans, compared to \$1.3 million, or 1.12%, of the sold loans at December 31, 2003. The premium finance portfolio owned by the Company had ratio of non-performing loans to total loans of 1.46% at December 31, 2004 and 1.26% at December 31, 2003. The Company anticipates that premium finance receivables sold will have lower credit losses than the loans retained in its portfolio since the purchaser of the loans stipulates certain characteristics of the loans to be included in the loan pools sold, including shorter maturities. Ultimate losses on premium finance loans are substantially less than non-performing loans for the reasons noted in the "Non-performing Premium Finance Receivables" portion of the "Credit Risk and Asset Quality" section of this report.

Consistent with Wintrust's strategy to be asset-driven, it is probable that sales of premium finance receivables will occur in the future, depending on the level of new volume growth in relation to the capacity to retain such loans within the Banks' loan portfolios.

Administrative services revenue generated by Tricom was \$4.0 million in 2004, \$4.2 million in 2003 and \$3.5 million in 2002. 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. During 2004, Tricom's revenue was negatively affected by competitive rate pressure in the industry and mitigated somewhat by the effects of increased sales efforts. The revenue increase in 2003 is primarily attributable to the acquisition of a competitor's customer base in early 2003 offset somewhat by lower rates due to competitive pressures in the industry.

Premium income from covered call option and put option transactions totaled \$11.1 million in 2004, \$7.9 million in 2003 and \$6.0 million in 2002. The increases in the fees from covered call and put options in 2004 and 2003 are due to the mix in the types of underlying securities and the volatility in the marketplace that resulted in higher premiums for the options. During 2004 and 2003, call and put option contracts were written against \$2.0 billion of underlying securities, compared to \$1.8 billion in 2002. 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. The Company routinely writes 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 enters into these transactions with the goal of enhancing its

overall return on its investment portfolio by using the fees generated from these options to compensate for net interest margin compression. These option transactions are designed to increase the total return associated with holding certain investment securities and do not qualify as hedges pursuant to SFAS 133. There were no outstanding call options at December 31, 2004 or December 31, 2003.

Bank Owned Life Insurance (“BOLI”) generated non-interest income of \$2.0 million in 2004, \$2.0 million in 2003 and \$803,000 in 2002. The Company initially 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 executive employment contracts and has since purchased BOLI in connection with certain deferred compensation arrangements. BOLI totaled \$58.4 million at December 31, 2004 and \$44.3 million at December 31, 2003, and is included in other assets.

During 2003 and 2002, FIFC received \$500,000 and \$1.25 million, respectively, from partial settlements related to the premium finance defalcation that occurred and was recognized in 2000. Management does not anticipate additional settlements in the future.

Miscellaneous other non-interest income includes loan servicing fees, service charges, rental income from equipment leases and miscellaneous other income.

### Non-interest Expense

Non-interest expense totaled \$156.1 million in 2004, and increased \$33.4 million, or 27%, compared to 2003. In 2003, non-interest expense totaled \$122.7 million, and increased \$16.8 million, or 16%, compared to 2002. All categories of non-interest expense were impacted by the 2004 acquisitions of WestAmerica, Guardian, Northview Bank and Town Bank and the fourth quarter 2003 acquisitions of Advantage Bank and Village Bank. In addition most of the non-interest expense categories increased as the Company opened eight new banking locations throughout 2004 and increased its average loans 30% and its average deposits 28%. Similarly, in 2003, average loans increased 26% and average deposits increased 29%. These increases in loans and deposits require higher levels of staffing and other operating costs.

The following table presents non-interest expense by category for 2004, 2003 and 2002 (in thousands).

	Years ended December 31,			2004 compared to 2003		2003 compared to 2002	
	2004	2003	2002	\$ Change	% Change	\$ Change	% Change
Salaries and employee benefits	\$ 94,049	74,775	63,442	\$ 19,274	25.8%	\$ 11,333	17.9%
Equipment	9,074	7,957	7,191	1,117	14.0	766	10.7
Occupancy, net	10,083	7,436	6,691	2,647	35.6	745	11.1
Data processing	5,560	4,304	4,161	1,256	29.2	143	3.4
Advertising and marketing	3,403	2,215	2,302	1,188	53.6	(87)	(3.8)
Professional fees	5,376	3,342	2,801	2,034	60.9	541	19.3
Amortization of other intangible assets	1,110	640	324	470	73.4	316	97.5
Other:							
Commissions - 3rd party brokers	4,125	3,008	2,259	1,117	37.1	749	33.2
Postage	3,064	2,369	2,106	695	29.3	263	12.5
Stationery and supplies	2,569	1,762	2,110	807	45.8	(348)	(16.5)
Miscellaneous	17,678	14,933	12,597	2,745	18.4	2,336	18.5
Total other	27,436	22,072	19,072	5,364	24.3	3,000	15.7
Total non-interest expense	\$156,091	122,741	105,984	\$ 33,350	27.2%	\$ 16,757	15.8%

Wintrust’s net overhead ratio, which is non-interest expense less non-interest income as a percent of total average assets, was 1.30% in 2004, 1.22% in 2003 and 1.41% in 2002. This ratio is a key indicator of operating efficiency and the Company continues to compare favorably with regard to this ratio to its peer group based on the most recent peer group data.

Salaries and employee benefits is the largest component of non-interest expense, accounting for 60% of the total in 2004, 61% of the total in 2003 and 60% in 2002. For the year ended December 31, 2004, salaries and employee benefits totaled \$94.0 million and increased \$19.3 million, or 26% compared to 2003. The increase for 2004 is primarily due to the acquisitions and the opening of eight new bank facilities. For the year ended December 31, 2003, salaries and employee benefits totaled \$74.8 million, and increased \$11.3 million, or 18%, compared to 2002. This increase is primarily due to the acquisitions of Advantage Bank and Village Bank, the opening of one new banking office and the relocation of two offices into permanent facilities.

Equipment expense, which includes furniture, equipment and computer software depreciation and repairs and maintenance costs, totaled \$9.1 million in 2004, \$8.0 million in 2003 and \$7.2 million in 2002, reflecting increases of 14% in 2004 and 11% in 2003. These increases were caused by higher levels of expense related to the furniture, equipment and computer software required at new facilities as well as at existing facilities due to increased staffing.

Occupancy expense for the years 2004, 2003 and 2002 was \$10.1 million, \$7.4 million and \$6.7 million, respectively, reflecting increases of 36% in 2004 and 11% in 2003. Occupancy expense includes depreciation on premises, real estate taxes, utilities and maintenance of premises, as well as net rent expense for leased premises. Increases in 2004 and 2003 reflect the increases in the number of facilities operated as well as market increases in operating such facilities.

Data processing expenses totaled \$5.6 million in 2004, \$4.3 million in 2003 and \$4.2 million in 2002, representing increases of 29% in 2004 and 3% in 2003. The 2004 increase is primarily related to data system conversions at Village Bank and Northview Bank and to a lesser extent to higher transactional charges related to higher levels of loans and deposits. The slight increase in 2003 was due primarily to the additional transactional charges related to the 29% increase deposits and 25% increase in loans during the year.

Advertising and marketing expenses totaled \$3.4 million for 2004, \$2.2 million for 2003 and \$2.3 million for 2002. Marketing costs are necessary to attract loans and deposits at the newly chartered banks, to announce new branch openings as well as the expansion of the wealth management business, and to continue to promote community-based products at the more established locations. The level of marketing expenditures depends on the type of marketing programs utilized which are determined based on the market area, targeted audience, competition and various other factors. Management continues to utilize targeted marketing programs in the more mature market areas.

Professional fees include legal, audit and tax fees, external loan review costs and normal regulatory exam assessments. These fees totaled \$5.4 million in 2004, \$3.3 million in 2003 and \$2.8 million in 2002. The 2004 professional fees increased 61% primarily during the second half of 2004 to meet the requirements of Sarbanes-Oxley 404. The increases for 2004 and 2003 are also attributable to the general growth in the Company's total assets and fee-based businesses.

Amortization of other intangibles assets relates to the amortization of core deposit premiums and customer list intangibles established in connection with the application of SFAS 142 to business combinations. See Note 8 of the Consolidated Financial Statements for further information on these intangible assets.

Commissions paid to 3rd party brokers represent the commissions paid by Focused to a network of unaffiliated banks for brokerage revenue generated through those banks. The increases in 2004 and 2003 reflects the higher level of revenue generated through that network of unaffiliated banks.

Postage expense for 2004, 2003 and 2002 totaled \$3.1 million, \$2.4 million and \$2.1 million, reflecting increases of 29% in 2004 and 13% in 2003. These increases reflect the increased volume of loans and deposits.

Stationery and supplies totaled \$2.6 million in 2004, \$1.8 million in 2003 and \$2.1 million in 2002, reflecting an increase of \$807,000 or 46% and a decrease of \$348,000, or 17% in 2003. The higher level in 2004 was attributable the acquisitions and the opening of eight new bank facilities.

Miscellaneous non-interest expense includes correspondent bank service charges, insurance, telephone, directors' fees, loan expenses and other sundry expenses. This category increased \$2.7 million, or 18%, in 2004 and \$2.3 million, or 19%, in 2003. These increases are in line with increases in the other non-interest expense categories and reflect the growth in the Company's balance sheet.

## Income Taxes

The Company recorded income tax expense of \$29.6 million in 2004, \$21.2 million in 2003 and \$14.6 million in 2002. The effective tax rates were 36.5%, 35.8% and 34.4% in 2004, 2003 and 2002, respectively. Please refer to Note 17 to the Consolidated Financial Statements for further discussion and analysis of the Company's tax position, including a reconciliation of the tax expense computed at the statutory tax rate to the Company's actual tax expense.

## Operating Segment Results

As described in Note 24 to the Consolidated Financial Statements, 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.

The banking segment's net interest income for the year ended December 31, 2004 totaled \$142.5 million as compared to \$108.3 million for the same period in 2003, an increase of \$34.2 million, or 32%. The increase in net interest income for 2003 when compared to the total of \$89.3 million in 2002 was \$19.0 million, or 21%. These increases were primarily the result of continued growth in the loan portfolio. Total loans increased 32% in 2004 and 29% in 2003. This segment benefited from lower levels of non-performing assets and net charge-offs of loans in 2004. Provision for loan losses declined to \$6.2 million in 2004 compared to \$10.2 million in 2003 and \$8.8 million in 2002. The banking segment's non-interest income totaled \$41.4 million in 2004, an increase of \$8.0 million, or 24%, when compared to the 2003 total of \$33.4 million. This improvement was primarily due to an increase of \$3.2 million increase in fees from covered call option transactions which were entered into to enhance the overall return on the investment portfolio, \$1.5 million increase in fees on mortgage loans sold, reflecting the impact of the May 2004 acquisition of WestAmerica, a \$575,000 increase in service charges on deposits and a \$1.2 million increase in net securities gains. In 2003, non-interest income for the banking segment increased \$7.5 million, or 29%, when compared to the 2002 total of \$25.9 million. This improvement was primarily due to an increase of \$3.0 million in fees on mortgage loans sold, reflecting heavy origination volumes driven by the low interest rate environment in the first three quarters of 2003 and strong housing markets, a \$1.9 million increase in fees from covered call option transactions which were entered into to enhance the overall return on the investment portfolio, a \$1.1 million increase in the cash surrender value of BOLI, a \$404,000 increase in service charges on deposits and a \$535,000 increase in net securities gains. The banking segment's net income for the year ended December 31, 2004 totaled \$47.4 million, an increase of \$9.8 million, or 26%, as compared to the 2003 total of \$37.6 million. The total segment profit in 2003 increased \$8.9 million, or 31%, over the \$28.7 million that was recorded in 2002.

Net interest income for the premium finance segment totaled \$48.9 million for the year ended December 31, 2004 and increased \$4.4 million, or 10%, over the \$44.5 million in 2003. During 2004, this segment benefited from higher average levels of premium finance receivables, increasing \$165 million over 2003, which helped offset competitive pricing pressures in this segment. In 2003, net interest income for the premium finance segment increased \$10.5 million, or 31%, over the 2002 total of \$34.0 million. During 2003, as compared to 2002, this segment benefited from higher levels of premium receivables and lower funding costs. The premium finance segment's non-interest income totaled \$7.3 million, \$5.4 million and \$4.6 million for the years ended December 31, 2004, 2003 and 2002, respectively. Non-interest income for this segment reflects the gains from the sale of premium finance receivables to an unrelated third party, as more fully discussed in the Consolidated Results of Operations section, and also includes \$500,000 in 2003 and \$1.25 million in 2002 from partial settlements on a fraud loss recognized in 2000. Net after-tax profit of the premium finance segment totaled \$25.1 million, \$21.6 million and \$14.9 million for the years ended December 31, 2004, 2003 and 2002, respectively. New receivable originations totaled \$2.6 billion in 2004, \$2.3 billion in 2003 and \$1.7 billion in 2002. The increases in new volumes each year is indicative of this segment's ability to increase market penetration in existing markets and establish a presence in new markets. These higher production levels have helped offset the competitive pricing pressures in this segment.

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 that Tricom provides to its clients in the temporary staffing industry. The segment's net interest income was \$3.8 million in 2004, increasing \$128,000, or 4%, compared to the \$3.6 million reported for 2003. Net interest income decreased \$599,000, or 14%, in 2003 compared to 2002. The increase in net interest income in 2004 is attributable to higher production levels in 2004 offsetting the lower fee yields charged on the short-term accounts receivable financing due to competitive pressures in the industry faced in 2004 and 2003. Non-interest income for 2004 was \$4.0 million, decreasing \$181,000, or 4%, from the \$4.2 million reported in 2003. This followed an increase of \$664,000, or 19%, in 2003 compared to the \$3.5 million in 2002. Revenue trends at Tricom reflect the general staffing trends of the economy and the entrance of new competitors in most market places served by Tricom. The segment's net income was \$1.5 million in 2004 and \$1.6 million in both 2003 and 2002. The stable levels of net income produced by this segment over the past three years reflect Tricom's ability to contract and expand its business model to address both economic and competitive challenges.

The wealth management segment reported net interest income of \$7.9 million for 2004 compared to \$6.9 million for 2003 and \$4.1 million for 2002. The increase in net interest income reported in 2004 is due to the net interest income allocated to the segment from a higher level of non-interest bearing and interest-bearing account balances on deposit at the Banks. The insured deposit account balances at the Banks from the brokerage customers of WHI and the trust and asset management customers of WHTC helped increase the contribution in net interest income in all three years. As of December 31, 2004, approximately \$390.1 million had migrated into insured bank deposits at the Banks compared to \$338.5 million at December 31, 2003. The increase in 2004 is attributable to the money market funds of the trust and asset management customers of WHTC that migrated to the insured deposit account balances at the Banks. Additional funds deposited at the Banks in future periods in the insured bank deposits would be generated through internal growth of the existing balances on deposit. This segment recorded non-interest income of \$32.8 million for 2004 as compared to \$29.8 million for 2003 and \$26.1 million in 2002. Wintrust is committed to growing the wealth management segment in order to better service its customers and create a more diversified revenue stream. Distribution of wealth management services through each bank subsidiary continues to be a focus of the Company as the number of brokers in its Banks continues to increase. Significant fluctuations in the volume of trades occurred from quarter to quarter in 2004 as the individual investor's interest in low fixed income security yields and their overall confidence in the equity markets in 2004 changed each quarter. The incremental brokers have helped to offset the volatile nature of customer trading activity. Additionally, an increased focus on the growth of managed assets, rather than transactional revenue will help stabilize this revenue source. The Company continues to focus on reducing the fixed cost structure of this segment to a variable cost structure. In the second quarter of 2005, the internal transaction processing system is scheduled to be converted to an out-sourced third party. This will convert additional fixed costs to variable costs and give this segment more flexibility to control costs in a potentially decreasing transaction volume environment. Additionally, the use of the third party provider will significantly enhance the desk-top capabilities, and thus the service level offered each customer, of every broker. The wealth management segment's net income totaled \$1.1 million for 2004 compared to \$320,000 for 2003 and an after-tax loss of \$330,000 for 2002.

## ANALYSIS OF FINANCIAL CONDITION

The Company's total assets were \$6.42 billion at December 31, 2004, an increase of \$1.67 billion, or 35%, when compared to the \$4.75 billion at December 31, 2003. Total assets increased \$1.03 billion, or 28%, in 2003 over the \$3.72 billion at December 31, 2002. The increases in loans of \$1.05 billion in 2004, and \$741.7 million in 2003, accounted for the majority of the increases in total assets.

### Interest-Earning Assets

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

	Years Ended December 31,					
	2004		2003		2002	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Loans:						
Commercial and commercial real estate	\$1,967,119	39%	\$1,433,725	38%	\$1,127,044	38%
Home equity	509,840	10	416,889	11	318,656	11
Residential real estate <sup>(1)</sup>	305,050	6	227,816	6	185,407	6
Premium finance receivables	798,970	16	634,000	17	458,767	15
Indirect auto loans	177,352	4	169,893	4	183,963	6
Tricom finance receivables	26,501	—	24,434	1	19,791	1
Consumer and other loans	76,851	2	53,431	1	61,392	2
Total loans, net of unearned income	3,861,683	77	2,960,188	78	2,355,020	79
Liquidity management assets <sup>(2)</sup>	1,108,891	22	785,894	21	555,861	19
Other earnings assets <sup>(3)</sup>	38,901	1	38,418	1	54,327	2
Total average earning assets	\$5,009,475	100%	\$3,784,500	100%	\$2,965,208	100%
Total average assets	\$5,451,527		\$4,116,618		\$3,212,467	
Total average earning assets to total average assets		92%		92%		92%

(1) Includes mortgage loans held-for-sale

(2) Includes available-for-sale securities, interest earning deposits with banks and federal funds sold

(3) Includes brokerage customer receivables and trading account securities

Average earning assets increased \$1.22 billion, or 32%, in 2004 and \$819.3 million, or 28%, in 2003. The ratio of average earning assets as a percent of total average assets remained consistent at approximately 92% in each of the last three years.

Loan growth continued to fuel the Company's earning asset growth in 2004. Total average loans increased \$901.5 million, or 30%, in 2004, and \$605.2 million, or 26%, in 2003. The increase in average loans was primarily funded by increases in deposits as the average loans to average deposits ratio remained relatively unchanged at 87.7% in 2004 and 86.4% in 2003. These loan-to-deposit ratios fall within management's desired range of 85% - 90%.

*Loans.* Average total loans, net of unearned income, totaled \$3.9 billion in 2004, \$3.0 billion in 2003 and \$2.4 billion in 2002. Significant and continued growth occurred during 2004 in commercial and commercial real estate, home equity, residential mortgages and premium finance portfolios. The changes in indirect auto loans were the result of management's decision to de-emphasize the origination of indirect auto loans due to the current economic and competitive environment surrounding this type of loan.

Average commercial and commercial real estate loans, the largest loan category, totaled \$2.0 billion in 2004, and increased \$533.4 million, or 37%, over the average balance in 2003. The average balance in 2003 increased \$306.7 million, or 27%, over the average balance in 2002. This category comprised 51% of the average loan portfolio in 2004 and 48% in 2003. The solid growth realized in this category is attributable to increased business development efforts, a relatively low interest rate environment and a continued healthy local economy.

Home equity loans averaged \$509.8 million in 2004, and increased \$93.0 million, or 22%, when compared to the average balance in 2003. This increase was mainly the result of increased line of credit usage and special marketing programs. Unused commitments on home equity lines of credit totaled \$593.2 million at December 31, 2004, and \$473.7 million at December 31, 2003.

Residential real estate loans averaged \$305.1 million in 2004, and increased \$77.2 million, or 34%, over the average balance in 2003. This category includes mortgage loans held-for-sale. The Company collects a fee on the sale of these loans into the secondary market to avoid the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans. The remaining loans in this category are maintained within the Banks' loan portfolios and comprise mostly adjustable rate mortgage loans and shorter-term fixed rate mortgage loans.

In order to minimize the time lag typically experienced by *de novo* banks in redeploying deposits into higher yielding earning assets, the Company has developed lending programs focused on specialized earning asset niches that generally have large volumes of homogeneous assets that can be acquired for the Banks' portfolios and possibly sold in the secondary market to generate fee income. These specialty niches also diversify the Banks' loan portfolios and add higher yielding earning assets that help to improve the net interest margin. However, these loans may involve greater credit risk than generally associated with loan portfolios of more traditional community banks due to marketability of the collateral, or because of the indirect relationship the Company has with the underlying borrowers. Specialty loan programs include premium finance, indirect auto, Tricom finance receivables, mortgage broker warehouse lending through Hinsdale Bank, the Community Advantage program at Barrington Bank, which provides lending, deposit and cash management services to condominium, homeowner and community associations and the small aircraft lending program at Crystal Lake Bank. Management continues to evaluate other specialized types of earning assets to assist with the deployment of deposit funds and to diversify the earning asset portfolio.

Premium finance receivables are originated through FIFC. These receivables represent loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. All premium finance receivables originated by FIFC are subject to the Company's stringent credit standards, and substantially all such loans are made to commercial customers. The Company rarely finances consumer insurance premiums. Average premium finance receivables totaled \$799.0 million in 2004, and accounted for 21% of the Company's average total loans. Average premium finance receivables increased \$165.0 million, or 26%, from the average balance of \$634.0 million in 2003. The majority of the receivables originated by FIFC are sold to the Banks and retained in their loan portfolios. However, premium finance receivables originated in excess of the capacity to retain such receivables within the Banks' loan portfolios are sold to an unrelated third party with servicing retained. In 2004, FIFC sold approximately \$496 million, or 19%, of the \$2.6 billion of receivables originated in 2004 to an unrelated third party. See Consolidated Results of Operations for further information on these loan sales. Total premium finance loan originations were \$2.6 billion, \$2.3 billion and \$1.7 billion in 2004, 2003 and 2002, respectively. These increases in origination volume are due in part to market increases in insurance premiums.

Indirect automobile loans are financed from a network of unaffiliated automobile dealers located throughout the Chicago metropolitan area with which the Company has established relationships. These indirect auto loans are secured by new and used automobiles and generally have an original maturity of 36 to 60 months with the average actual maturity estimated to be approximately 35 to 40 months. The risk associated with this portfolio is diversified among many individual borrowers. Like other consumer loans, the indirect auto loans are subject to the Banks' established credit standards. Management regards substantially all of these loans as prime quality loans. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans. In response to economic conditions and the competitive environment for this product, the Company has been de-emphasizing the level of new indirect auto loans originated. Although, the Company continues to maintain its relationships with the dealers and may increase its volume of originations when market conditions indicate it is prudent to do so, management is not pursuing growth in this segment and anticipates that this portfolio will comprise a smaller portion of the loan portfolio in the future. During 2004, 2003 and 2002 average indirect auto loans totaled \$177.4 million, \$169.9 million and \$184.0 million, respectively.

Tricom finance receivables represent high-yielding short-term accounts receivable financing to Tricom's clients in the temporary staffing industry located throughout the United States. 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 due to the 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 their interests. Typically, Tricom also provides value-added out-sourced administrative services to many of these clients, such as data processing of payrolls, billing and cash management services, which generate additional fee income. Average Tricom finance receivables were \$26.5 million in 2004, \$24.4 million in 2003 and \$19.8 million in 2002. The general upturn in the United States economy has contributed to an increase in the placement of temporary staffing individuals by Tricom's customers and the higher level of Tricom finance receivables in 2004, compared with 2003 and 2002.

*Liquidity Management Assets.* Funds that are not utilized for loan originations are used to purchase investment securities and short-term money market investments, to sell as federal funds and to maintain in interest-bearing deposits with banks. The balances of these assets fluctuate frequently based on deposit inflows, the level of other funding services and loan demand. Average liquidity management assets increased \$323.0 million in 2004 compared to 2003, and \$230.0 million in 2003 compared to 2002, as a result of increases in average deposits and other funding sources exceeding increases in average loans during these years.

*Other earning assets.* Average other earning assets includes trading account securities and brokerage customer receivables as a result of the acquisition of the Wayne Hummer Companies in February 2002. These other earning assets averaged \$38.9 million in 2004, a slight increase of \$483,000, or 1%, compared to the average 2003 balance of \$38.4 million. 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, who are 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 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 and Other Funding Sources**

The dynamics of community bank balance sheets are generally dependent upon the ability of management to attract additional deposit accounts to fund the growth of the institution. As the Company's banks and branch offices are still relatively young, the generation of new deposit relationships to gain market share and establish themselves in the community as the bank of choice is particularly important. When determining a community to establish a *de novo* bank, the Company generally will only enter a community where it believes the bank can gain the number one or two position in deposit market share. This is usually accomplished by initially paying competitively high deposit rates to gain the relationship and then by introducing the customer to the Company's unique way of providing local banking services.

*Deposits.* During 2004 and 2003, the Company has experienced significant growth in both the number of accounts and the balance of deposits primarily as a result of new branch openings, strong marketing efforts and the acquisitions of Northview Bank and Town Bank in the third and fourth quarters, respectively of 2004, and of Advantage Bank and Village Bank in the fourth quarter of 2003. Total deposits at December 31, 2004, were \$5.1 billion, increasing \$1.2 billion, or 32%, over the \$3.9 billion at December 31, 2003.

Average deposit balances in 2004 were \$4.4 billion, reflecting an increase of \$974.5 million, or 28%, compared to the average balances in 2003. During 2003, average deposits increased \$766.4 million, or 29%, compared to the prior year. The composition of the deposit base has remained relatively consistent over the last three years as evidenced by the average deposit balances and relative composition of each deposit category to total deposits as presented in the following table (dollars in thousands):

	Years Ended December 31,					
	2004		2003		2002	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Non-interest bearing deposits	\$ 400,333	9%	\$ 321,735	9%	\$ 262,888	10%
NOW accounts	481,759	11	376,257	11	308,712	11
Wealth Management deposits	360,046	8	265,279	8	96,486	4
Money market accounts	528,831	12	437,114	13	371,063	14
Savings accounts	197,132	5	160,456	5	134,415	5
Time certificate of deposits	2,433,037	55	1,865,818	54	1,486,715	56
Total deposits	\$4,401,138	100%	\$3,426,659	100%	\$2,660,279	100%

Following the acquisition of the Wayne Hummer Companies in February 2002, Wintrust undertook efforts to migrate funds from the brokerage customers of WHI, and the trust and asset management customers managed by Wayne Hummer Trust Company, into deposit accounts of the Banks ("Wealth Management deposits" in table above). Consistent with reasonable interest rate risk parameters, the funds have generally been invested in loan production of the Banks as well as other investments suitable for banks. As of December 31, 2004, \$390.1 million had migrated into an insured bank deposit product (Money Market and/or NOW accounts) at the various Banks. Excluding these wealth management deposits, average deposits increased \$879.7 million, or 28%, in 2004 and \$597.6 million, or 23%, in 2003.

Growth in the deposit base continues to be generated by each of the Banks. The following table presents average deposit balances by the Banks and the relative percentage of total average deposits held by each Bank during each of the past three years (dollars in thousands):

	Years Ended December 31,					
	2004		2003		2002	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Lake Forest Bank	\$ 827,063	19%	\$ 775,836	23%	\$ 642,514	24%
Hinsdale Bank	658,407	15	560,793	16	467,597	17
North Shore Bank	718,299	16	653,598	19	531,141	20
Libertyville Bank	527,179	12	447,391	13	350,550	13
Barrington Bank	543,401	12	455,172	13	340,642	13
Crystal Lake Bank	392,095	9	308,664	9	202,886	8
Northbrook Bank	280,514	6	192,364	6	124,949	5
Advantage Bank <sup>(2)</sup>	177,243	4	25,988	1	—	—
Village Bank <sup>(2)</sup>	128,730	3	6,853	—	—	—
Beverly Bank	25,151	1	—	—	—	—
Wheaton Bank <sup>(1)</sup>	64,324	2	—	—	—	—
Town Bank <sup>(1)</sup>	58,732	1	—	—	—	—
Total deposits	\$4,401,138	100%	\$3,426,659	100%	\$2,660,279	100%
Percentage increase from prior year		28%		29%		30%

(1) Represents effect on consolidated average deposits from effective acquisition dates of September 30, 2004 for Wheaton Bank and October 1, 2004 for Town Bank. At December 31, 2004, Wheaton Bank had total deposits of \$64.6 million and Town Bank had total deposits of \$242.8 million.

(2) Represents effect on consolidated average deposits from effective acquisition dates of October 1, 2003 for Advantage Bank and December 1, 2003 for Village Bank.

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

The composition of average other funding sources in 2004, 2003 and 2002, is presented in the following table (dollars in thousands):

	Years Ended December 31,					
	2004		2003		2002	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Notes payable	\$ 5,004	1%	\$ 31,397	9%	\$ 55,133	18%
Federal Home Loan Bank advances	222,278	40	141,196	41	119,041	40
Subordinated notes	50,000	9	41,849	12	4,384	2
Short-term borrowings — Banks	114,831	21	41,368	12	34,693	11
Wayne Hummer Companies funding	10,016	2	15,339	5	33,103	11
Long-term debt — trust preferred securities	130,830	23	70,248	20	51,050	17
Other	24,726	4	4,071	1	4,315	1
Total other funding sources	\$557,685	100%	\$345,468	100%	\$301,719	100%

Notes payable balances represent the balances on a revolving credit agreement with an unaffiliated bank. This revolving credit line is available for corporate purposes such as to provide capital to fund continued growth at existing bank subsidiaries, possible future acquisitions and for other general corporate matters. At December 31, 2004 and 2003, the Company had \$1.0 million and \$26.0 million, respectively, of notes payable outstanding. See Note 11 to the Consolidated Financial Statements for further discussion of the terms of this revolving credit line.

FHLB advances provide the Banks with access to fixed rate funds which are useful in mitigating interest rate risk and achieving an acceptable interest rate spread on fixed rate loans or securities. FHLB advances to the Banks totaled \$303.5 million at December 31, 2004, and \$144.0 million at December 31, 2003. See Note 12 to the Consolidated Financial Statements for further discussion of the terms of these advances.

The Company borrowed \$25.0 million under a subordinated note agreement in 2002, and in 2003 borrowed an additional \$25.0 million under another subordinated note agreement. Each subordinated note requires annual principal payments of \$5.0 million beginning in the sixth year of the note with final maturity dates of 2012 and 2013.

Both notes qualify as Tier II regulatory capital. See Note 13 to the Consolidated Financial Statements for further discussion of the terms of the notes.

Short-term borrowings — Banks include securities sold under repurchase agreements and federal funds purchased. These borrowings totaled \$197.2 million and \$65.3 million at December 31, 2004 and 2003, respectively. Securities sold under repurchase agreements primarily represent sweep accounts for certain customers in connection with master repurchase agreements at the Banks. This funding category fluctuates based on customer preferences and daily liquidity needs of the Banks, its customers, FIFC and Tricom.

Wayne Hummer Companies funding consists of collateralized 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. During the third quarter of 2004, WHI entered into a lending relationship with an affiliate bank to satisfy their funding needs. As a result, at December 31, 2004, there were no Wayne Hummer Company borrowings outstanding, compared with \$9.0 at December 31, 2003. See Note 14 to the Consolidated Financial Statements for further discussion of this funding source.

The Company has \$204.5 million of long-term debt — trust preferred securities outstanding as of December 31, 2004. This balance is comprised of issuances of securities through eight separate trusts. In October 1998, \$31.05 million of 9.00% trust preferred securities were issued and in June 2000, \$20.0 million of 10.50% trust preferred securities were issued through public offerings. In April 2003, \$25.0 million of floating rate trust preferred securities were issued in connection with a trust preferred pool and in December 2003, an additional \$20.0 million of floating rate trust preferred securities were issued through a placement agreement to qualified institutional investors. On September 30, 2004, the Company assumed \$6.2 million of 6.35% trust preferred securities as part of the Wheaton acquisition. Additionally, on October 1, 2004, another \$6.2 million of floating rate trust preferred securities was assumed as part of the Town acquisition. Also, in May and December 2004, the Company issued \$41.2 million and \$51.6 million, respectively, of floating rate trust preferred securities to qualified institutional investors. The amounts reflected in the Company's balance sheet for periods prior to December 31, 2004, for the 1998 and 2000 issuances represent the trust preferred securities issued by the trusts, while the amounts reflected in the balance sheet for the remaining four trusts, represent the debentures issued to the trusts by the Company and are equal to the preferred securities and common securities issued by the trusts. See Note 15 of the Consolidated Financial Statements for further discussion of the Company's long-term debt — trust preferred securities.

Trust Preferred Securities, subject to certain limitations, currently qualify as Tier 1 capital of the Company for regulatory purposes. Interest expense on the Trust Preferred Securities is deductible for income tax purposes.

*Shareholders' Equity.* Total shareholders' equity was \$437.9 million at December 31, 2004, and \$349.8 million at December 31, 2003. During 2004, the Company issued 1.0 million shares valued at \$59.9 million for the acquisitions of WestAmerica, Wheaton Bank and Town Bank. In 2003, the Company issued 1.0 million shares of common stock, valued at \$38.7 million, in connection with the acquisitions of LFCM, Advantage Bank and Village Bank. Also through a public offering in 2003, the Company issued approximately 1.4 million shares of stock, at approximately \$35.80 per share, raising approximately \$46.1 million in equity, net of issuance costs.

### **Asset-Liability Management**

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 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 short-term 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.

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 fourth quarter of 2002, the Company completed a \$25 million variable rate subordinated debt agreement with an unaffiliated bank that qualifies as Tier II regulatory capital. The Company also entered into two interest rate swap contracts in the fourth quarter of 2002. A \$25 million notional principal amount swap was entered into to convert the newly issued subordinated note from variable-rate to fixed-rate. The swap matures in 2012, and the notional principal amount is reduced \$5 million annually, beginning in 2008, to match the principal reductions on the subordinated note. Additionally, a \$31.05 million interest rate swap contract was entered into to convert the Company's 9% Trust Preferred Securities from fixed-rate to variable-rate. This swap has a termination date of September 30, 2028, and provides the counterparty with a call option on any date on or after September 30, 2003. The call option in the swap coincides with the Company's call option in the trust preferred securities. As of December 31, 2004, neither the swap counterparty nor the Company exercised the call options on the swap and trust preferred securities, respectively. All of the Company's interest rate swap contracts qualify as perfect hedges pursuant to SFAS 133.

During 2004 and 2003, the Company also entered into certain covered call option transactions related to certain securities held by the Company and put options against U.S. Treasury and agency securities deemed appropriate for the Banks' investment portfolios. The Company uses these option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to increase the total return associated with the related securities. Although the revenue received from these options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these options contributes to the Company's overall profitability. The Company's exposure to interest rate risk may be effected by these transactions. To mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no covered call or put options outstanding as of December 31, 2004 or December 31, 2003.

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 December 31, 2004:

(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	\$ 47,860	—	—	—	47,860
Interest-bearing deposits with banks	4,961	—	—	—	4,961
Available-for-sale securities	100,863	177,403	466,512	598,699	1,343,477
Total liquidity management assets	153,684	177,403	466,512	598,699	1,396,298
Loans, net of unearned income <sup>(1)</sup>	3,055,918	667,759	672,071	57,307	4,453,055
Other earning assets	35,446	—	—	—	35,446
Total earning assets	3,245,048	845,162	1,138,583	656,006	5,884,799
Other non-earning assets	—	—	—	534,249	534,249
Total assets (RSA)	\$3,245,048	845,162	1,138,583	1,190,255	6,419,048
<b>Liabilities and Shareholders' Equity:</b>					
Interest-bearing deposits <sup>(2)</sup>	\$2,344,503	1,059,628	1,171,454	23,837	4,599,422
Federal Home Loan Bank advances	55,975	6,885	103,042	137,599	303,501
Notes payable and other borrowings	202,924	—	—	—	202,924
Subordinated notes	50,000	—	—	—	50,000
Long-term debt — trust preferred securities	145,609	—	6,380	52,500	204,489
Total interest-bearing liabilities	2,799,011	1,066,513	1,280,876	213,936	5,360,336
Demand deposits	—	—	—	505,312	505,312
Other liabilities	—	—	—	79,488	79,488
Shareholders' equity	—	—	—	473,912	473,912
<b>Effect of derivative financial instruments:</b>					
Interest rate swap (Company pays fixed, receives floating)	(25,000)	—	10,000	15,000	—
Interest rate swap (Company pays floating, receives fixed)	31,050	—	—	(31,050)	—
Total liabilities and shareholders' equity including effect of derivative financial instruments (RSL)	\$2,805,061	1,066,513	1,290,876	1,256,598	6,419,048
Repricing gap (RSA — RSL)	\$ 439,987	(221,351)	(152,293)	(66,343)	
Cumulative repricing gap	\$ 439,987	218,636	66,343	—	
Cumulative RSA/Cumulative RSL	116%	106%	101%		
Cumulative RSA/Total assets	51%	64%	81%		
Cumulative RSL/Total assets	44%	60%	80%		
Cumulative GAP/Total assets	7%	3%	1%		
Cumulative GAP/Cumulative RSA	14%	5%	1%		

(1) Loans, net of unearned income includes mortgages 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 December 31, 2004 and December 31, 2003, is as follows:

	+ 200 Basis Points	- 200 Basis Points
Percentage change in net interest income due to an immediate 200 basis point shift in the yield curve: <sup>(1)</sup>		
<b>December 31, 2004</b>	<b>7.4%</b>	<b>(10.3)%</b>
December 31, 2003	5.9%	(27.7)%

(1) *Due to the low interest rate environment at December 31, 2004 and December 31, 2003, the 200 basis point instantaneous permanent parallel shift downward 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 re-priced downward less than the full 200 basis points.*

These results are based solely on a 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 action 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.

As the table shows, management has positioned the balance sheet so that the Company benefits from a rise in interest rates and believes this is a prudent position. Until a rise in rates occurs, the Company is fortunate that its business strategy provides a solid base to grow the deposit and loan portfolios. This growth in the balance sheet has helped fuel earnings growth despite the lower net interest margins. The Company also mitigates the net interest margin pressure by realizing fees from a strong residential real estate market and from covered call option transactions which in effect compensate for reduced levels of net interest income. Management actively monitors the relationships between growth, net interest income and other income to provide for earnings growth in a challenging interest rate environment.

### Liquidity and Capital Resources

The Company and the Banks are subject to various regulatory capital requirements established by the federal banking agencies that take into account risk attributable to balance sheet and off-balance sheet activities. Failure to meet minimum capital requirements can initiate certain mandatory- and possibly discretionary - actions by regulators, that if undertaken could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Banks must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Federal Reserve's capital guidelines require bank holding companies to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 Capital to total assets of 3.0% for strong bank holding companies (those rated a composite "1" under the Federal Reserve's rating system). For all other bank holding companies, the minimum ratio of Tier 1 Capital to total assets is 4.0%. In addition the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities. The following table summarizes the capital guidelines for bank holding companies, as well as the Company's capital ratios as of December 31, 2004 and December 31, 2003.

	Minimum Ratios	Well Capitalized Ratios	Wintrust's Ratios at Year-end 2004	Wintrust's Ratios at Year-end 2003
Tier 1 Leverage Ratio	4.0%	5.0%	<b>8.4%</b>	8.9%
Tier 1 Capital to Risk-Weighted Assets	4.0%	6.0%	<b>9.8%</b>	10.2%
Total Capital to Risk-Weighted Assets	8.0%	10.0%	<b>12.2%</b>	12.1%
Total average equity-to-total average assets	N/A	N/A	<b>7.2%</b>	6.6%

As reflected in the table, each of the Company's capital ratios at December 31, 2004, exceeded the well-capitalized ratios established by the Federal Reserve. In January 2002, the Company became designated as a financial holding company, thereby requiring its depository institutions to maintain their capital ratios in the "well capitalized" categories at all times. Refer to Note 19 of the Consolidated Financial Statements for further information on the capital positions of the Banks.

The Company's principal sources of funds at the holding company level are dividends from its subsidiaries, borrowings on its revolving credit line with an unaffiliated bank, proceeds from the issuance of subordinated debt and proceeds from trust preferred securities offerings and additional equity offerings. Refer to Notes 11, 13, 15 and 23 of the Consolidated Financial Statements for further information on the Company's notes payable, subordinated note, Trust Preferred Securities offerings and shareholders' equity, respectively. The following table provides a summary of the funds raised through public and private offerings of common stock and Trust Preferred Securities as well as a private placement of subordinated debt, beginning in 1998 (dollars in millions):

Date of offering	Type of offering	Proceeds received	% of increase in regulatory capital
October 1998	Trust preferred securities	\$ 31.1	78%
November 1999	Common stock	6.0	51
June 2000	Trust preferred securities	20.0	67
June 2001	Common stock	22.2	49
June/July 2002	Common stock	36.5	38
November 2002	Subordinated debt	25.0	26
<b>Total for 2002</b>		<b>61.5</b>	<b>64</b>
April 2003	Subordinated debt	25.0	14
April 2003	Trust preferred securities	25.0	14
September 2003	Common stock	46.1	25
December 2003	Trust preferred securities	20.0	11
<b>Total for 2003</b>		<b>116.1</b>	<b>64</b>
May 2004	Trust preferred securities	40.0	25
December 2004	Trust preferred securities	50.0	31
<b>Total for 2004</b>		<b>\$ 90.0</b>	<b>56%</b>

As shown in the table above, proceeds from public offerings of Trust Preferred Securities and the Company's common stock have accounted for a significant portion of the increase in the Company's total regulatory capital. While these funding and capital generation sources will continue to be reviewed, the Company's reliance on internally generated capital is expected to continue to grow.

The Company increased its regulatory capital by \$160.2 million in 2004 and \$182.6 million in 2003, causing the Company's total risk-based capital ratio to increase to 12.2% at the end of 2004 from 12.1% and 9.4% at the end of 2003 and 2002, respectively. Management is committed to maintaining the Company's capital levels above the "Well Capitalized" levels established by the Federal Reserve for bank holding companies.

In December 2004, the Company completed an underwritten public offering of 1.2 million shares of its common stock at \$59.50 per share. The offering was made under the Company's current shelf registration statement filed with the Securities and Exchange Commission in October 2004. In connection with the public offering, the Company entered into a forward sale agreement with an affiliate of RBC Capital Markets Corporation ("RBC") relating to 1.2 million shares of our common stock. The Company's objective with the use of the forward sale agreement was to efficiently provide funding for the acquisitions of Antioch and First Northwest and for general corporate purposes. The use of the forward sale agreement allows the Company to deliver common stock and receive cash at the Company's election, to the extent provided by the forward sale agreement. Management believes this flexibility allows a more timely and efficient use of capital resources. See Note 23 of the Consolidated Financial Statements for further information.

Banking laws impose restrictions upon the amount of dividends that can be paid to the holding company by the Banks. Based on these laws, the Banks could, subject to minimum capital requirements, declare dividends to the Company without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. In addition, the payment of dividends may be restricted under certain financial covenants in the Company's revolving credit line agreement. At January 1, 2004, subject to minimum capital requirements at the Banks, approximately \$76.4 million was available as dividends from the Banks without prior regulatory approval. However, since the Banks are required to maintain their capital at the well-capitalized level (due to the Company being approved as a financial holding company), funds otherwise available as dividends from the Banks are limited to the amount that would not reduce any of the Banks' capital ratios below the well-capitalized level. At January 1, 2005, approximately \$78.4 million was available as dividends from the Banks without compromising the Banks' well-capitalized positions. During 2004 and 2003 the subsidiaries paid dividends to Wintrust totaling \$25.5 million and \$5.5 million, respectively. No dividends were paid by subsidiaries in 2002.



The Company declared its first semi-annual cash dividend on its common stock in 2000. A summary of the Company's cash dividends on common stock is as follows:

Record Date	Payable Date	Cash Dividend per share
February 10, 2000	February 24, 2000	\$ 0.0333
August 10, 2000	August 24, 2000	0.0333
February 8, 2001	February 22, 2001	0.0467
August 9, 2001	August 23, 2001	0.0467
February 5, 2002	February 19, 2002	0.0600
August 6, 2002	August 20, 2002	0.0600
February 6, 2003	February 20, 2003	0.0800
August 6, 2003	August 20, 2003	0.0800
February 5, 2004	February 19, 2004	0.1000
August 10, 2004	August 24, 2004	0.1000
February 8, 2005	February 22, 2005	0.1200

The dividend payout ratio was 8.5% in 2004, 8.1% in 2003 and 7.5% in 2002. The Company continues to target an earnings retention ratio of approximately 90% to support continued growth. The dividends paid in 2004 represented a 25% increase over the dividends paid in 2003. Along those same lines, the semi-annual dividend declared in January 2005 represents (on an annualized basis) a 20% increase over 2004.

In January 2000, the Board of Directors approved a stock repurchase program authorizing the purchase of up to 450,000 shares of common stock, from time to time, in open market or privately negotiated transactions. Through December 31, 2000, the Company repurchased a total of 363,450 shares at an average price of \$10.63 per share. The shares repurchased pursuant to this buyback program were reissued with the Company's common stock offering in June 2001. No additional shares were repurchased during 2001, 2002 or 2004. During 2003, the Company repurchased 600 shares of common stock and reissued these shares in connection with the exercise of stock options.

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

Core deposits are the most stable source of liquidity for community banks due to the nature of long-term relationships generally established with depositors and the security of deposit insurance provided by the FDIC. Core deposits are generally defined in the industry as total deposits less time deposits with balances greater than \$100,000. Approximately 57% of the Company's total assets were funded by core deposits at the end of 2004 compared to 59% at the end of 2003. The remaining assets were funded by other funding sources such as time deposits with balances in excess of \$100,000, borrowed funds, and the capital of the Banks. Due to the affluent nature of many of the communities that the Company serves, management believes that many of its time deposits with balances in excess of \$100,000 are also a stable source of funds.

Liquid assets refer to money market assets such as Federal funds sold and interest bearing deposits with banks, as well as available-for-sale debt securities. Net liquid assets represent the sum of the liquid asset categories less the amount of assets pledged to secure public funds. At December 31, 2004, net liquid assets totaled approximately \$92.6 million, compared to approximately \$76.4 million at December 31, 2003.

The Banks routinely accept deposits from a variety of municipal entities. Typically, these municipal entities require that banks pledge marketable securities to collateralize these public deposits. At December 31, 2004 and 2003, the Banks had approximately \$626.6 million and \$269.2 million, respectively, of securities collateralizing such public deposits and other short-term borrowings. Deposits requiring pledged assets are not considered to be core deposits, and the assets that are pledged as collateral for these deposits are not deemed to be liquid assets.

The Company is not aware of any known trends, commitments, events, regulatory recommendations or uncertainties that would have any adverse effect on the Company's capital resources, operations or liquidity.

**CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ARRANGEMENTS**

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

*Contractual Obligations.* The following table presents, as of December 31, 2004, significant fixed and determinable contractual obligations to third parties by payment date. Further discussion of the nature of each obligation is included in the referenced note to the Consolidated Financial Statements.

	Note Reference	Payments Due In				Total
		One Year or Less	1 - 3 Years	3 - 5 Years	Over 5 Years	
		<i>(in thousands)</i>				
Deposits <sup>(1)</sup>	10	\$3,855,844	998,484	225,942	23,837	5,104,107
Notes payable	11	—	—	—	1,000	1,000
FHLB advances <sup>(1)(2)</sup>	12	50,685	54,950	56,500	141,130	303,265
Subordinated notes	13	—	—	—	50,000	50,000
Other borrowings	14	199,524	2,400	—	—	201,924
Long-term debt - trust preferred securities <sup>(1)(3)</sup>	15	—	—	—	204,182	204,182
Operating leases	16	4,071	7,549	4,554	14,587	30,761
Purchase obligations <sup>(4)</sup>		14,330	10,693	6,032	336	31,391

(1) Excludes basis adjustment for purchase accounting valuations.

(2) Certain advances provide the FHLB with one-time call dates which are not reflected in the above table.

(3) Excludes basis adjustment for fair value hedge and portion of debt related to common stock of trusts owned by the Company.

(4) Purchase obligations presented above primarily relate to certain contractual obligations for services related to the construction of facilities, data processing and the outsourcing of certain operational activities.

The Company also enters into derivative contracts under which the Company is required to either receive cash from or pay cash to counterparties depending on changes in interest rates. Derivative contracts are carried at fair value representing the net present value of expected future cash receipts or payments based on market rates as of the balance sheet date. Because the derivative liabilities recorded on the balance sheet at December 31, 2004 do not represent the amounts that may ultimately be paid under these contracts, these liabilities are not included in the table of contractual obligations presented above.

In December 2004, the Company completed an underwritten public offering of 1.2 million shares of its common stock at \$59.50 per share. The offering was made under the Company's current shelf registration statement filed with the Securities and Exchange Commission in October 2004. In connection with the public offering, the Company entered into a forward sale agreement with an affiliate of RBC Capital Markets Corporation ("RBC") relating to 1.2 million shares of its common stock. See Note 23 for further discussion on the forward sale agreement of the Company's common stock.

*Pending Business Combinations.* On October 15, 2004, the Company announced the signing of a definitive agreement to acquire Antioch Holding Company and its wholly-owned subsidiary, State Bank of The Lakes. The transaction closed in January 2005 for a total purchase of \$95.4 million of cash. On November 17, 2004, the Company announced the signing of a definitive agreement to acquire First Northwest Bancorp, Inc. and its wholly-owned subsidiary, First Northwest Bank. Pursuant to the terms of the merger agreement, shares of First Northwest Bancorp, Inc. will be converted into the right to receive cash, shares of Wintrust's stock or a combination of both. The aggregate purchase price, including the value of vested options, will approximate \$45.9 million. The transaction is expected to close by the second quarter of 2005. These transactions are not included in the table of contractual obligations noted above.

*Commitments.* The following table presents a summary of the amounts and expected maturities of significant commitments as of December 31, 2004. Further information on these commitments is included in Note 20 of the Consolidated Financial Statements.

	One Year or Less	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
	<i>(in thousands)</i>				
<i>Commitment type:</i>					
Commercial, commercial real estate and construction	\$818,677	190,846	23,559	10,418	1,043,500
Residential real estate	152,610	—	—	—	152,610
Revolving home equity lines of credit	593,169	—	—	—	593,169
Letters of credit	34,580	15,556	10,293	3,874	64,303
Commitments to sell mortgage loans	256,699	—	—	—	256,699

*Contingent Liabilities.* In connection with the sale of premium finance receivables, the Company continues to service the receivables and maintains a recourse obligation to the purchasers should the underlying borrowers default on their obligations. The estimated recourse obligation is taken into account in recording the sale, effectively reducing the gain recognized. As of December 31, 2004, outstanding premium finance receivables sold to and serviced for third parties for which the Company has a recourse obligation were \$250.9 million and the recourse obligation was \$387,000 and included in other liabilities on the balance sheet.

The Company enters into residential mortgage loan sale agreements with investors in the normal course of business. These agreements usually require certain representations concerning credit information, loan documentation, collateral and insurability. On occasion, investors have requested the Company to indemnify them against losses on certain loans or to repurchase loans which the investors believe do not comply with applicable representations. Upon completion of its own investigation, the Company generally repurchases or provides indemnification on certain loans. Indemnification requests are generally received within two years subsequent to sale. Management maintains a liability for estimated losses on loans expected to be repurchased or on which indemnification is expected to be provided and regularly evaluates the adequacy of this recourse liability based on trends in repurchase and indemnification requests, actual loss experience, known and inherent risks in the loans, and current economic conditions. At December 31, 2004 the liability for estimated losses on repurchase and indemnification was \$310,000 and was included in other liabilities on the balance sheet.

## CREDIT RISK AND ASSET QUALITY

### Allowance for Loan Losses

The following table summarizes the activity in the allowance for loan losses during the last five years (dollars in thousands):

	2004	2003	2002	2001	2000 <sup>(1)</sup>
<b>Balance at beginning of year</b>	\$ 25,541	18,390	13,686	10,433	8,783
<b>Provision for loan losses</b>	6,298	10,999	10,321	7,900	5,055
<b>Allowance acquired in business combinations</b>	5,110	1,602	—	—	—
<b>Charge-offs:</b>					
Commercial and commercial real estate loans	2,356	2,382	1,677	984	897
Home equity loans	—	358	—	25	—
Residential real estate loans	—	—	3	34	50
Consumer and other loans	204	222	294	34	103
Premium finance receivables	1,852	2,558	3,680	3,062	1,294
Indirect automobile loans	425	937	925	1,080	1,339
Tricom finance receivables	33	—	10	103	73
Total charge-offs	4,870	6,457	6,589	5,322	3,756
<b>Recoveries:</b>					
Commercial and commercial real estate loans	1,148	339	314	163	53
Home equity loans	6	39	—	72	—
Residential real estate loans	—	13	—	—	—
Consumer and other loans	104	40	26	1	5
Premium finance receivables	738	399	456	245	129
Indirect automobile loans	152	173	150	194	164
Tricom finance receivables	—	4	26	—	—
Total recoveries	2,148	1,007	972	675	351
Net charge-offs	(2,722)	(5,450)	(5,617)	(4,647)	(3,405)
<b>Balance at end of year</b>	\$ 34,227	25,541	18,390	13,686	10,433
<b>Net charge-offs (recoveries) by category as a percentage of average loans in respective category:</b>					
Commercial and commercial real estate loans	0.06%	0.14%	0.12%	0.10%	0.15%
Home equity loans	—	0.08	—	(0.02)	—
Residential real estate loans	—	(0.01)	—	0.02	0.04
Consumer and other loans	0.13	0.34	0.44	0.05	0.18
Premium finance receivables	0.14	0.34	0.70	0.79	0.43
Indirect automobile loans	0.15	0.45	0.42	0.46	0.50
Tricom finance receivables	0.12	(0.02)	(0.08)	0.55	0.35
Total loans	0.07%	0.18%	0.24%	0.26%	0.24%
<b>Net charge-offs as a percentage of the provision for loan losses</b>	43.22%	49.55%	54.42%	58.82%	67.36%
<b>Year-end total loans</b>	\$4,348,346	3,297,794	2,556,086	2,018,479	1,547,596
<b>Allowance as a percentage of year-end loans</b>	0.79%	0.77%	0.72%	0.68%	0.67%

(1) In 2000, a \$4.3 million loss was recognized related to a fraudulent loan scheme perpetrated against the Company's premium finance subsidiary. The loss was reported as a separate line item in the non-interest expense section of the income statement. It was not reported as a charge-off since a valid lending relationship with the perpetrator had not been established.

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.

The allowance for loan losses as a percentage of total loans at December 31, 2004 and 2003 was 0.79% and 0.77%, respectively. As a percent of average total loans, total net charge-offs for 2004 and 2003 were 0.07% and 0.18%, respectively. While management believes that the allowance for loan losses is adequate to provide for losses inherent in the portfolio, there can be no assurances that future losses will not exceed the amounts provided for, thereby affecting future earnings.

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 allowance for loan losses as of December 31, 2004, increased \$8.7 million to \$34.2 million from December 31, 2003, primarily due to \$5.1 from acquired institutions and allowance allocated to internal growth of \$469 million in the commercial and commercial real estate portfolio. The commercial and commercial real estate portfolios and the premium finance portfolio have traditionally experienced the highest level of charge-offs by the Company, along with the losses related to the indirect automobile portfolio.

Commercial and commercial real estate loans represent the largest loan category in the Company's loan portfolio, accounting for 57% of total loans at December 31, 2004. Net charge-offs in this category totaled \$1.2 million, or 0.06% of average loans in this category in 2004, and \$2.0 million, or 0.14% of average loans in this category in 2003.

Premium finance receivable net charge-offs for the year ended December 31, 2004 totaled \$1.1 million as compared to \$2.2 million in 2003. Net charge-offs were 0.14% of average premium finance receivables in 2004 versus 0.34% in 2003. The decrease in the ratio of net charge-offs to average premium finance receivables in 2004 compared to 2003 and in 2003 compared to 2002 is indicative of improvement in the credit quality of this portfolio. The level of net charge-offs in 2004 and 2003 is very low by historical standards. As noted in the next section of this report, non-performing premium finance receivables as a percent of total premium finance receivables were 1.46% at December 31, 2004, 1.26% at December 31, 2003 and 1.50% at December 31, 2002.

In 2000, the Company recorded a pre-tax charge of \$4.3 million as a result of fraud perpetrated against the Company's premium finance subsidiary. This charge includes approximately \$300,000 of professional fees associated with the Company's pursuit of recovery of the loss as well as a partial recovery of \$200,000. The \$4.3 million

charge was recorded on its own separate line item in the income statement. Management believes that it was appropriate to exclude this loss from the loan charge offs since a valid lending relationship with the perpetrator had not been established, and it would distort the Company's historical loss experience.

Indirect auto loan net charge-offs decreased to \$273,000 in 2004, compared to \$764,000 in 2003 and \$775,000 in 2002. Net charge-offs as a percentage of average indirect auto loans were 0.15% in 2004, 0.45% in 2003 and 0.42% in 2002.

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

The following table classifies the Company's non-performing loans as of December 31 for each of last five years. The information in the table should be read in conjunction with the detailed discussion following the table (dollars in thousands):

	2004	2003	2002	2001	2000
<b>Loans past due greater than 90 days and still accruing:</b>					
Residential real estate and home equity	\$ —	—	32	168	—
Commercial, consumer and other	715	1,024	3,047	1,059	651
Premium finance receivables	3,869	3,439	2,198	2,402	4,306
Indirect automobile loans	280	313	423	361	397
Tricom finance receivables	—	—	—	—	—
Total loans past due greater than 90 days and still accruing	4,864	4,776	5,700	3,990	5,354
<b>Non-accrual loans:</b>					
Residential real estate and home equity	2,660	3,217	711	1,385	153
Commercial, consumer and other	3,550	9,646	1,132	1,180	617
Premium finance receivables	7,396	5,994	4,725	5,802	3,338
Indirect automobile loans	118	107	254	496	221
Tricom finance receivables	—	—	20	104	—
Total non-accrual	13,724	18,964	6,842	8,967	4,329
<b>Total non-performing loans:</b>					
Residential real estate and home equity	2,660	3,217	743	1,553	153
Commercial, consumer and other	4,265	10,670	4,179	2,239	1,268
Premium finance receivables	11,265	9,433	6,923	8,204	7,644
Indirect automobile loans	398	420	677	857	618
Tricom finance receivables	—	—	20	104	—
Total non-performing loans	18,588	23,740	12,542	12,957	9,683
Other real estate owned	—	368	76	100	—
<b>Total non-performing assets</b>	<b>\$ 18,588</b>	<b>24,108</b>	<b>12,618</b>	<b>13,057</b>	<b>9,683</b>
<b>Total non-performing loans by category as a percent of its own respective category:</b>					
Residential real estate and home equity	0.32%	0.48%	0.14%	0.39%	0.05%
Commercial, consumer and other	0.17	0.63	0.30	0.21	0.18
Premium finance receivables	1.46	1.26	1.50	2.36	2.44
Indirect automobile loans	0.23	0.24	0.38	0.47	0.30
Tricom finance receivables	—	—	0.10	0.57	—
Total non-performing loans	0.43%	0.72%	0.49%	0.64%	0.63%
<b>Total non-performing assets as a percentage of total assets</b>	<b>0.29%</b>	<b>0.51%</b>	<b>0.34%</b>	<b>0.48%</b>	<b>0.46%</b>
<b>Allowance for loan losses as a Percentage of non-performing loans</b>	<b>184.13%</b>	<b>107.59%</b>	<b>146.63%</b>	<b>105.63%</b>	<b>107.75%</b>

*Non-performing Residential Real Estate and Home Equity*

The non-performing residential real estate and home equity loans totaled \$2.7 million at December 31, 2004. The balance declined \$557,000 from December 31, 2003. 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 \$4.3 million as of December 31, 2004. The balance in this category decreased \$6.4 million from December 31, 2003. 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 table below presents the level of non-performing premium finance receivables as of December 31, 2004 and 2003, and the amount of net charge-offs for the years then ended.

	2004	2003
Non-performing premium finance receivables	<b>\$ 11,265</b>	\$ 9,433
- as a percent of premium finance receivables outstanding	<b>1.46%</b>	1.26%
Net charge-offs of premium finance receivables	<b>\$ 1,114</b>	\$ 2,159
- annualized as a percent of average premium finance receivables	<b>0.14%</b>	0.34%

The level of non-performing premium finance receivables as a percent of total premium finance receivables is up from the prior year-end level. 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 Automobile Loans*

Total non-performing indirect automobile loans were \$398,000 at December 31, 2004, compared to \$420,000 at December 31, 2003. The ratio of these non-performing loans to total indirect automobile loans was 0.23% at December 31, 2004 compared to 0.24% at December 31, 2003. As noted in the Allowance for Loan Losses table, net charge-offs as a percent of total indirect automobile loans were 0.15% for the year ended December 31, 2004 compared to 0.45% in the same period in 2003.

*Potential Problem Loans*

Management believes that any loan where there are serious doubts as to the ability of such borrowers to comply with the present loan repayment terms should be identified as a non-performing loan and should be included in the disclosure of "Past Due Loans and Non-performing Assets". Accordingly, at the periods presented in this report, the Company has no potential problem loans as defined by Securities and Exchange Commission regulations.

*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



to 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 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 December 31, 2004 and December 31, 2003, was approximately \$62.6 million and \$27.4 million, respectively. The acquisitions of Northview and Town contributed \$16.4 million of this year-over-year increase. We believe these loans are performing and, accordingly, do not cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms.

#### *Loan Concentrations*

Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company had no concentrations of loans exceeding 10% of total loans at December 31, 2004, except for loans included in the premium finance operating segment.

#### **EFFECTS OF INFLATION**

A banking organization's assets and liabilities are primarily monetary. Changes in the rate of inflation do not have as great an impact on the financial condition of a bank as do changes in interest rates. Moreover, interest rates do not necessarily change at the same percentage as 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 "Asset-Liability Management" section of this report.

## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. 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 acquisition 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:

- The level of reported net income, return on average assets and return on average equity for the Company will in the near term continue to be impacted by start-up costs associated with *de novo* bank formations, branch openings, bank acquisitions and expanded wealth management services. *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. Similarly, the expansion of wealth management services will depend on the successful integration of these businesses into the Company's banking locations.
- The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- Although management believes the allowance for loan losses is adequate to absorb losses inherent in the existing portfolio of loans and leases, there can be no assurance that the allowance will prove sufficient to cover actual loan or lease losses.
- If market interest rates should move contrary to the Company's gap position on interest earning assets and interest bearing liabilities, the "gap" will work against the Company and its net interest income may be negatively affected.
- The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- The Company's ability to adapt successfully to technological changes will affect its ability to compete effectively in the marketplace.
- Future events may cause slower than anticipated development and growth of the Tricom business should the temporary staffing industry experience slowness.
- Changes in the economic environment, competition, or other factors, may influence the anticipated growth rate of loans and deposits, the quality of the loan portfolio and the pricing of loans and deposits and may affect the Company's ability to successfully pursue acquisition and expansion strategies.
- The conditions in the financial markets and economic conditions generally, as well as unforeseen future events surrounding the wealth management business, including competition and related pricing of brokerage, trust and asset management products.
- Unexpected difficulties or unanticipated developments related to the integration of WestAmerica and Guardian with the Company.
- Unexpected difficulties or unanticipated developments related to the Company's newest *de novo* bank, Beverly Bank.
- Unexpected difficulties or unanticipated developments related to the integration of Northview Financial Corporation, Town Bankshares, Ltd. and Antioch Holding Company and each of their subsidiaries with the Company.
- Unexpected difficulties or unanticipated developments related to the pending acquisition of First Northwest Bancorp, Inc. and its wholly-owned subsidiary, First Northwest Bank, which is anticipated to occur by the second quarter of 2005.

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## Table of Contents

### Leadership — Directors & Officers

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#### Wintrust Financial Corporation

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##### Directors

Peter D. Crist  
Bruce K. Crowther  
Joseph F. Damico  
Bert A. Getz, Jr.  
John S. Lillard (*Chairman*)  
Paul J. Liska  
James B. McCarthy  
Albin F. Moschner  
Thomas J. Neis  
Hollis W. Rademacher  
J. Christopher Reyes  
John J. Schornack  
Ingrid S. Stafford  
Edward J. Wehmer

##### Executive Officers

Edward J. Wehmer  
*President & Chief Executive Officer*

David A. Dykstra  
*Senior Executive Vice President & Chief Operating Officer*

Lloyd M. Bowden  
*Executive Vice President/Technology*

James F. Duca, II  
*Executive Vice President/Wealth Management*

Robert F. Key  
*Executive Vice President/Marketing*

Richard B. Murphy  
*Executive Vice President & Chief Credit Officer*

David L. Stoehr  
*Executive Vice President & Chief Financial Officer*

##### Officers

David J. Galvan  
James H. Bishop  
Barbara A. Kilian  
John S. Reagan  
Michael A. Cherwin  
Matthew E. Doubleday  
Raj V. Nagarajan  
Richard J. Pasminski  
Jay P. Ross  
Jolanta K. Slusarski  
T. Tolbert Chisum  
Stacey L. Herman  
Arlene D. Hybl  
Patricia L. Pappas  
Helene A. Torrenga  
Natalie A. Meissner  
Grant A. Haughton

## Lake Forest Bank & Trust Company

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### Directors

Jack Frigo  
Harry Griffith  
Randolph M. Hibben  
Howard Kerr  
Frances H. Krasnow  
Robert T.E. Lansing  
John S. Lillard  
Frank Mariani  
John J. Meierhoff  
Albin F. Moschner  
Joseph Pasquesi  
Hollis W. Rademacher  
Alison P. Ranney  
J. Christopher Reyes (*Honorary*)  
Ellen Stirling  
Edward J. Wehmer  
Maurice F. Dunne, Jr. (*Emeritus*)  
Francis Farwell (*Emeritus*)  
Eugene Hotchkiss (*Emeritus*)  
Moris T. Hoversten (*Emeritus*)

### Executive Officers

Randolph M. Hibben  
*Chairman & Chief Executive Officer*

John J. Meierhoff  
*President*

Rachele L. Wright  
*President-Bank of Highwood-Fort  
Sheridan*

Mary Beth Jones  
*President-West Lake Forest*

Sandra McCraren  
*President-Highland Park Bank &  
Trust*

### Loans

Kurt K. Prinz  
Kathryn Walker-Eich  
Caryn Levy  
Stephen L. Madden  
Janice C. Nelson  
Jan Constantine  
Lori Higgins  
Thomas Littau  
Stephen Milota  
Gina Stec  
Laura Cascarano  
Patricia McNeilly  
Michelle Parnell  
Jacqueline M. Poland  
Susan Potash  
Maria Santello  
Christopher Baker  
Todd K. Grubich  
Kimberly Greenfield  
April Jensen

### Personal Banking

Lynn Van Cleave  
Thomas Groth  
Twila D. Hungerford  
Judy Moloney  
Dennis Carani  
Piera Dallabattista  
Amy Boyle  
Barbara Kubas  
Christina Martoccio  
Shilpa Patel  
Heather Wicklund

**Operations/Finance/Other**

Mary Ann Gannon  
Richard J. Pasminski  
Margaret Zacher  
Janet Traficanti  
Kathleen E. Bickmore  
Kelly Breasbois  
Elizabeth Krumrey  
Andrea Levitt  
Jo Marie Loesch  
Debra Nicholas  
Carolyn P. Szymanski

**Compliance/Audit**

Mary Brown

**Hinsdale Bank & Trust Company**

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**Directors**

Peter D. Crist  
Diane Dean  
Donald Gallagher  
Elise Grimes  
Robert D. Harnach  
Dennis J. Jones  
Douglas J. Lipke (*Special Advisor*)  
James B. McCarthy  
James P. McMillin  
Mary Martha Mooney  
Richard B. Murphy  
Margaret O'Brien Stock  
Hollis W. Rademacher  
Ralph J. Schindler  
Robert Thompson  
Edward J. Wehmer  
Frank J. Murnane, Sr. (*Emeritus*)  
Joel Nelson (*Emeritus*)

**Executive Officers**

Dennis J. Jones  
*Chairman & Chief Executive Officer*

Richard B. Murphy  
*President & Chief Operating Officer*

Roberta L. Head  
*President-Riverside Bank*

David J. LaBrash  
*President-Clarendon Hills Bank*

Stephen C. Pleimling  
*President-The Community Bank of  
Western Springs*

Michael G. Busse  
*President-Community Bank of  
Downers Grove*

Richard J. Mahoney  
*Executive Vice President/  
Commercial Banking*

**Loans**

Kelly Engelke  
Edward J. Farrell  
Mark Hale  
Angela Lagerman  
Kevin Mitzit  
Patricia Uidl  
Michael Gamble  
Phyllis Long  
Kay M. Olenec  
Lori C. Ritzert  
Jason N. Bledsoe  
Kathy R. Oergel  
Maria Chialdikis  
Pat L. Gray

Robert D. Meyrick  
Timothy S. Murphy  
Richard J. Stefanski  
Cora Mae Corley  
Charlotte Hunt

### **Personal Banking/Operations**

Anne M. O'Neill  
Michelle A. Kennedy  
Josefa Aguinaga  
Holly A. Bishop  
Natalie Brod  
Esther Cook  
Carol E. Franzo  
Kim E. Fernandez  
Michelle Paetsch  
Janet Pleimling  
Patricia A. Mayo  
Nancy Moskus  
Elizabeth D. Reis  
Esther Scott  
Rhonda M. Sippel

### **North Shore Community Bank & Trust Company**

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#### **Directors**

Gilbert W. Bowen  
Gary A. Breidenbach  
T. Tolbert Chisum  
Gregory P. Crecos  
Thomas J. Dammrich  
John W. Haben  
Randolph M. Hibben  
Gayle Inbinder  
Donald F. Krueger  
Thomas J. McCabe  
Marguerite Savard McKenna  
Donald L. Olson  
Hollis W. Rademacher  
John J. Schornack  
Ingrid S. Stafford  
Edward J. Wehmer  
Stanley R. Weinberger  
Richard J. Witry  
Maurice F. Dunne, Jr. (*Emeritus*)  
James Fox (*Emeritus*)  
Elizabeth C. Warren (*Emeritus*)

#### **Executive Officers**

Randolph M. Hibben  
*Chairman*

Gary A. Breidenbach  
*President & Chief Executive Officer*

Donald F. Krueger  
*Executive Vice President &  
Chief Operating Officer*

James L. Sefton  
*Executive Vice President/Senior Credit Officer*

Lauretta M. Burke  
*President-Skokie*

Patrick Carroll

*President-Winnetka*

John S. Sneed  
*President-Sauganash*

**North Shore Community Bank & Trust Company (continued)**

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**Loans**

John P. Burk  
Robert Clausen  
Gunnar N. Maehl  
Jay Steiner  
Ann T. Tyler  
Richard Chan  
Romelia Lemus  
Steve Bailen  
Jaki Pearl  
Jamie Kane

**Residential Real Estate**

Mark A. Stec  
Susan Mundy  
Heidi Hillenbrand  
Dawn Wilkinson

**Personal Banking**

Michael T. Donnelly  
Leslie A. Niemark  
Diane Schwartz  
Eric I. Jordan  
Pamela Leibsohn  
James P. Waters  
Mi Balderas  
Elissa Blumenfeld  
John Bodel  
Beatrice Borre  
Kimberly Swider  
Melissa O'Malley  
David Sweeney

**Finance/Operations**

John A. Barnett  
Catherine W. Biggam  
Jennifer A. Kocour  
Angelica Escobar  
Karin Jacobson  
J. Robert Marrs

**Libertyville Bank & Trust Company**

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**Directors**

Neville Carr  
Bert Carstens  
Joseph F. Damico  
David A. Dykstra  
Bert A. Getz, Jr.  
Donald Gossett  
Jeffrey Harger  
Richard Nakon  
William Newell  
Hollis W. Rademacher  
John N. Schaper

Jane Stein  
Jack Stoneman  
Edward J. Wehmer  
Edward Werdell

### **Executive Officers**

Bert Carstens  
*Chairman & Chief Executive Officer*

Edward Werdell  
*President & Chief Operating Officer*

Richard Gauthier  
*President-Mundelein Community Bank*

Deborah Hudson  
*President-Lake Villa Community Bank*

Crystal McClure  
*President-Wauconda Community Bank*

Bradley Nickerson  
*President-Gurnee Community Bank*

Brian Mikaelian  
*Executive Vice President/  
Commerical Banking*

Sharon Worlin  
*Executive Vice President/  
Personal Banking*

### **Commercial Banking**

William Westerman  
Betty Berg  
John Brennan  
Michael Buchert  
David Hostman  
Victor Krumm  
Michael Murphy  
Randolph Webster  
Barbra Meyer  
Christopher Robinson

### **Residential Real Estate**

Thomas Eardley  
Judy Franks  
Christine Koch

### **Personal Banking**

Ursula Schuebel  
Karen Bouas  
Bea Freeman  
Catherine Hassenauer  
Deborah Motzer  
Barbara Nelson-Kick  
Karen Schmidt  
Angela Atterberry  
Irene Huff  
Cindy Tysland  
Rachel Vincent  
Mary Schumacher

### **Operations/Finance/Other**

Lynn Wiacek  
Joan DeRango  
Emylene Adriano  
Janet Ash  
Joy Barroso  
Michele Berg  
Suzanne Chamberlain  
Bruce Greenberg  
Maria Hurtado  
Dwayne Nicholson  
Drew Kriston  
Joyce Riley  
Judith Whitt