WINTRUST FINANCIAL CORP
Form 10-Q
November 09, 2005

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2005
Commission File Number 0-21923
WINTRUST FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

Illinois	36-3873352
(State of incorporation or organization)	(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)

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

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

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

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

Common Stock no par value, 23,770,356 shares, as of November 3, 2005

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PART I

ITEM 1. FINANCIAL STATEMENTS

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

(In thousands)	**(Unaudited) September 30, 2005**	December 31, 2004	(Unaudited) September 30, 2004
Assets			
Cash and due from banks	**$ 165,773**	$ 128,166	$ 117,397
Federal funds sold and securities purchased under resale agreements	**62,186**	47,860	255,885
Interest bearing deposits with banks	**6,459**	4,961	19,736
Available-for-sale securities, at fair value	**1,766,613**	1,343,477	928,825
Trading account securities	**2,899**	3,599	3,884
Brokerage customer receivables		31,847	33,386
Mortgage loans held-for-sale	**125,584**	104,709	80,074
Loans, net of unearned income	**5,149,795**	4,348,346	4,000,175
Less: Allowance for loan losses	**40,633**	34,227	31,408
Net loans	**5,109,162**	4,314,119	3,968,767
Premises and equipment, net	**238,722**	185,926	176,943
Accrued interest receivable and other assets	**201,673**	129,702	136,736
Goodwill	**195,941**	113,461	91,024
Other intangible assets, net	**18,491**	11,221	4,629
Total assets	**$7,893,503**	$6,419,048	$5,817,286
Liabilities and Shareholders Equity			
Deposits:			
Non-interest bearing	**$ 631,460**	$ 505,312	$ 449,343
Interest bearing	**5,855,643**	4,599,422	4,302,250
Total deposits	**6,487,103**	5,104,734	4,751,593
Notes payable	**1,000**	1,000	1,000
Federal Home Loan Bank advances	**343,355**	303,501	264,104
Other borrowings	**78,912**	201,924	44,043
Subordinated notes	**50,000**	50,000	50,000
Long-term debt trust preferred securities	**230,231**	204,489	146,465
Accrued interest payable and other liabilities	**89,141**	79,488	129,928
Total liabilities	**7,279,742**	5,945,136	5,387,133
Shareholders equity:			
Preferred stock			

Common stock	**23,655**	21,729	21,064
Surplus	**413,330**	319,147	287,547
Common stock warrants	**762**	828	993
Retained earnings	**184,138**	139,566	125,395
Accumulated other comprehensive loss	**(8,124)**	(7,358)	(4,846)
Total shareholders equity	**613,761**	473,912	430,153
Total liabilities and shareholders equity	**$7,893,503**	$6,419,048	$5,817,286

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	**2005**	2004	**2005**	2004
Interest income				
Interest and fees on loans	**$ 89,169**	$54,422	**$242,339**	$153,867
Interest bearing deposits with banks	**111**	12	**183**	50
Federal funds sold and securities purchased under resale agreements	**2,054**	152	**2,555**	566
Securities	**14,960**	10,367	**46,309**	29,069
Trading account securities	**9**	26	**55**	99
Brokerage customer receivables	**169**	398	**1,029**	1,032
Total interest income	**106,472**	65,377	**292,470**	184,683
Interest expense				
Interest on deposits	**41,913**	21,044	**107,172**	57,909
Interest on Federal Home Loan Bank advances	**3,127**	2,186	**8,744**	5,752
Interest on notes payable and other borrowings	**869**	346	**3,553**	1,476
Interest on subordinated notes	**697**	723	**2,297**	2,130
Interest on long-term debt trust preferred securities	**3,797**	1,987	**10,796**	5,097
Total interest expense	**50,403**	26,286	**132,562**	72,364
Net interest income	**56,069**	39,091	**159,908**	112,319
Provision for loan losses	**3,077**	1,258	**5,602**	5,020
Net interest income after provision for loan losses	**52,992**	37,833	**154,306**	107,299
Non-interest income				
Wealth management fees	**6,950**	7,163	**22,711**	23,659
Mortgage banking revenue	**7,773**	5,292	**19,855**	12,549
Service charges on deposit accounts	**1,518**	998	**4,451**	2,944
Gain on sales of premium finance receivables	**1,602**	1,827	**4,985**	5,365
Administrative services revenue	**1,169**	1,040	**3,307**	2,927
Net available-for-sale securities gains	**89**	878	**1,067**	1,731
Other	**6,262**	4,249	**15,584**	12,453
Total non-interest income	**25,363**	21,447	**71,960**	61,628
Non-interest expense				
Salaries and employee benefits	**29,542**	23,768	**88,186**	66,841
Equipment expense	**2,979**	2,275	**8,706**	6,626
Occupancy, net	**4,137**	2,529	**11,838**	7,026
Data processing	**1,917**	1,257	**5,375**	3,909

Advertising and marketing	**1,216**	785	**3,426**	2,376
Professional fees	**1,392**	1,289	**4,366**	3,432
Amortization of other intangible assets	**884**	194	**2,509**	587
Other	**8,259**	6,368	**23,240**	19,312
Total non-interest expense	**50,326**	38,465	**147,646**	110,109
Income before income taxes	**28,029**	20,815	**78,620**	58,818
Income tax expense	**10,192**	7,740	**28,599**	21,655
Net income	$ **17,837**	$13,075	$ **50,021**	$ 37,163
Net income per common share Basic	$ **0.76**	$ 0.64	$ **2.18**	$ 1.83
Net income per common share Diluted	$ **0.72**	$ 0.60	$ **2.07**	$ 1.71
Cash dividends declared per common share	$ 0.12	$ 0.10	$ **0.24**	$ 0.20
Weighted average common shares outstanding	**23,615**	20,541	**22,990**	20,347
Dilutive potential common shares	**1,156**	1,345	**1,159**	1,327
Average common shares and dilutive common shares	**24,771**	21,886	**24,149**	21,674

See accompanying notes to unaudited consolidated financial statements.

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

(In thousands)	Compre- hensive Income (Loss)	Common Stock	Surplus	Common Stock Warrants	Retained Earnings	Accumulated Other Compre- hensive Income (Loss)	Total Shareholders Equity
Balance at December 31, 2003		$ 20,066	$ 243,626	$ 1,012	$ 92,301	$ (7,168)	$ 349,837
Comprehensive income:							
Net income	$ 37,163				37,163		37,163
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment	2,276					2,276	2,276
Unrealized gains on derivative instruments	46					46	46
Comprehensive income	$ 39,485						
Cash dividends declared					(4,069)		(4,069)
Common stock issued for:							
Business combinations		663	35,193				35,856
Exercise of common stock warrants		66	610	(19)			657
Director compensation plan		5	168				173
Employee stock purchase plan and exercises of stock options		237	7,042				7,279
Restricted stock awards		27	908				935
		$ 21,064	$ 287,547	$ 993	$ 125,395	$ (4,846)	$ 430,153

Balance at September 30, 2004

Balance at December 31, 2004		**$ 21,729**	**$ 319,147**	**$ 828**	**$ 139,566**	**$ (7,358)**	**$ 473,912**
Comprehensive income:							
Net income	**$ 50,021**				**50,021**		**50,021**
Other comprehensive income, net of tax:							
Unrealized gains on securities, net of reclassification adjustment	**623**					**623**	**623**
Unrealized losses on derivative instruments	**(1,389)**					**(1,389)**	**(1,389)**
Comprehensive income	**$ 49,255**						
Cash dividends declared					**(5,449)**		**(5,449)**
Common stock issued for:							
New issuance, net of costs		**1,000**	**54,870**				**55,870**
Business combinations		**601**	**29,986**				**30,587**
Exercise of common stock warrants		**21**	**317**	**(66)**			**272**
Director compensation plan		**8**	**310**				**318**
Employee stock purchase plan and exercises of stock options		**277**	**7,868**				**8,145**
Restricted stock awards		**19**	**832**				**851**
Balance at September 30, 2005		**$ 23,655**	**$ 413,330**	**$ 762**	**$ 184,138**	**$ (8,124)**	**$ 613,761**

	Nine Months Ended September 30,	
	2005	2004
Disclosure of reclassification amount and income tax impact:		
Unrealized holding gains on available-for-sale securities arising during the period, net	**$ 2,132**	$ 4,785
Unrealized holding (losses) gains on derivative instruments arising during the period, net	**(2,248)**	51
Less: Reclassification adjustment for gains included in net income, net	**1,067**	1,731
Less: Income tax (benefit) expense	**(417)**	783
Net unrealized (losses) gains on available-for-sale securities and derivative instruments	**$ (766)**	$ 2,322

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
(In thousands)	**2005**	2004
Operating Activities:		
Net income	**$ 50,021**	$ 37,163
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	**5,602**	5,020
Depreciation and amortization	**10,312**	7,157
Tax benefit from exercises of stock options	**3,509**	3,956
Net amortization of premium on securities	**2,664**	1,487
Originations and purchases of mortgage loans held-for-sale	**(1,722,167)**	(1,010,221)
Proceeds from sales of mortgage loans held-for-sale	**1,711,566**	1,082,716
Decrease (increase) in trading securities, net	**700**	(215)
Net decrease in brokerage customer receivables	**31,847**	526
Gain on mortgage loans sold	**(10,054)**	(8,301)
Gain on sales of premium finance receivables	**(4,985)**	(5,365)
Gains on sales of available-for-sale securities, net	**(1,067)**	(1,731)
Loss (gain) on sales of premises and equipment, net	**28**	(573)
Increase in accrued interest receivable and other assets, net	**(8,643)**	(563)
Decrease in accrued interest payable and other liabilities, net	**(162)**	(15,391)
Net Cash Provided by Operating Activities	**69,171**	95,665
Investing Activities:		
Proceeds from maturities of available-for-sale securities	**248,925**	143,428
Proceeds from sales of available-for-sale securities	**1,029,764**	652,014
Purchases of available-for-sale securities	**(1,531,951)**	(767,641)
Proceeds from sales of premium finance receivables	**421,802**	345,720
Net cash paid for acquisitions	**(79,221)**	(3,163)
Net (increase) decrease in interest-bearing deposits with banks	**(1,410)**	1,793
Net increase in loans	**(802,816)**	(796,216)
Increase in Bank Owned Life Insurance		(7,861)
Purchases of premises and equipment, net	**(34,648)**	(20,368)
Net Cash Used for Investing Activities	**(749,555)**	(452,294)
Financing Activities:		
Increase in deposit accounts	**795,812**	581,702
Decrease in other borrowings, net	**(150,639)**	(135,251)
Decrease in notes payable, net	**(5,000)**	(25,000)
Increase in Federal Home Loan Bank advances, net	**16,815**	100,000
Proceeds from issuance of trust preferred securities, net	**40,000**	40,000

Redemption of trust preferred securities, net	**(20,000)**	
Issuance of common stock, net of issuance costs	**55,870**	
Issuance of common shares resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	**4,908**	3,980
Dividends paid	**(5,449)**	(4,069)
Net Cash Provided by Financing Activities	**732,317**	561,362
Net Increase in Cash and Cash Equivalents	**51,933**	204,733
Cash and Cash Equivalents at Beginning of Period	**176,026**	168,549
Cash and Cash Equivalents at End of Period	**$ 227,959**	$ 373,282

See accompanying notes to unaudited consolidated financial statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

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

As of September 30, 2005, Wintrust had 13 wholly-owned bank subsidiaries (collectively, Banks), eight of which the Company started as *de novo* institutions, including Lake Forest Bank & Trust Company (Lake Forest Bank), Hinsdale Bank & Trust Company (Hinsdale Bank), North Shore Community Bank & Trust Company (North Shore Bank), Libertyville Bank & Trust Company (Libertyville Bank), Barrington Bank & Trust Company, N.A. (Barrington Bank), Crystal Lake Bank & Trust Company, N.A. (Crystal Lake Bank), Northbrook Bank & Trust Company (Northbrook Bank), and Beverly Bank & Trust, N.A. (Beverly Bank). The Company acquired Advantage National Bank (Advantage Bank) in October 2003, Village Bank & Trust (Village Bank) in December 2003, Northview Bank and Trust (Northview Bank) in September 2004, Town Bank in October 2004, State Bank of The Lakes in January 2005 and First Northwest Bank on March 31, 2005. In December 2004, Northview Bank s two Northfield locations became branches of Northbrook Bank, its Mundelein location became a branch of Libertyville Bank and its Wheaton location was renamed Wheaton Bank & Trust (Wheaton Bank). In May 2005, First Northwest Bank was merged into Village Bank.

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

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

The Company provides a full range of wealth management services through its trust, asset management and broker-dealer subsidiaries. Trust and investment services are provided at each of the Banks through the Company s wholly-owned subsidiary, Wayne Hummer Trust Company, N.A. (WHTC), a *de novo* company started in 1998 and formerly known as Wintrust Asset Management Company. Wayne Hummer Investments, LLC (WHI) is a broker-dealer providing a full range of private client and securities brokerage services to clients located primarily in the Midwest and is a wholly-owned subsidiary of North Shore Bank. Focused Investments, LLC (Focused) is a broker-dealer that provides a full range of investment services to individuals through a network of relationships with community-based financial institutions primarily in Illinois. Focused is a wholly-owned subsidiary of WHI. Wayne Hummer Asset Management Company (WHAMC) provides money management services and advisory services to individuals, institutions and municipal and tax-exempt organizations, as well as the Wayne Hummer Growth Fund in addition to portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHAMC is a wholly-owned subsidiary of Wintrust. WHI, WHAMC and Focused were acquired in 2002, and are collectively referred to as the Wayne Hummer Companies . In February 2003, the Company acquired Lake Forest Capital Management (LFCM), a registered investment advisor, which was merged into WHAMC.

In May 2004, the Company acquired SGB Corporation d/b/a WestAmerica Mortgage Company (WestAmerica) and its affiliate, Guardian Real Estate Services, Inc. (Guardian). WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides document preparation and other loan closing services to WestAmerica and a network of mortgage brokers. WestAmerica maintains principal

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origination offices in ten states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica and Guardian are wholly-owned subsidiaries of Barrington Bank. On September 30, 2004, in connection with the acquisition of Northview Financial Corporation, the Company also acquired Northview Mortgage, LLC, a mortgage broker, which operates as a subsidiary of Wintrust.

Wintrust Information Technology Services Company provides information technology support, item capture, imaging and statement preparation services to the Wintrust subsidiaries and is a wholly-owned subsidiary of Wintrust.

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company s Annual Report and Form 10-K for the year ended December 31, 2004. Operating results reported for the three-month and year-to-date periods are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform to the current period presentation.

The preparation of the financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities. Management believes that the estimates made are reasonable, however, changes in estimates may be required if economic or other conditions develop differently from management s expectations. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Management 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, variances from estimates in such areas are more likely to impact the financial statements.

(2) Cash and Cash Equivalents

For purposes of the Consolidated Statements of Cash Flows, the Company considers cash and cash equivalents to include cash and due from banks, federal funds sold and securities purchased under resale agreements with original maturities of 90 days or less.

(3) Available-for-sale Securities

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

	September 30, 2005		December 31, 2004		September 30, 2004	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury	**$ 38,545**	**$ 37,213**	$ 142,455	$ 140,707	$ 58,745	$ 57,747
U.S. Government agencies	**649,375**	**645,812**	550,524	545,887	313,502	312,154
Municipal	**51,556**	**51,291**	25,481	25,412	24,062	24,053
Corporate notes and other debt	**8,453**	**8,360**	8,455	8,329	12,429	12,341
Mortgage-backed	**910,509**	**904,898**	539,074	533,726	439,196	433,674
Federal Reserve/FHLB stock and other equity securities	**118,909**	**119,039**	89,286	89,416	88,425	88,856
Total available-for-sale securities	**$ 1,777,347**	**$ 1,766,613**	$ 1,355,275	$ 1,343,477	$ 936,359	$ 928,825

(4) Loans

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

(Dollars in thousands)	**September 30, 2005**	December 31, 2004	September 30, 2004
Balance:			
Commercial and commercial real estate	**$ 3,104,196**	$ 2,465,852	$ 2,161,971
Home equity	**620,403**	574,668	552,382
Residential real estate	**284,036**	248,118	223,713
Premium finance receivables	**794,994**	770,792	764,853
Indirect consumer loans	**203,673**	171,926	178,285
Tricom finance receivables	**39,290**	29,730	31,413
Other loans	**103,203**	87,260	87,558
Total loans, net of unearned income	**$ 5,149,795**	$ 4,348,346	$ 4,000,175
Mix:			
Commercial and commercial real estate	**60%**	57%	54%
Home equity	**12**	13	14
Residential real estate	**6**	5	6
Premium finance receivables	**15**	18	19
Indirect consumer loans	**4**	4	4
Tricom finance receivables	**1**	1	1
Other loans	**2**	2	2
Total loans, net of unearned income	**100%**	100%	100%

Indirect consumer loans include auto, boat, snowmobile and other indirect consumer loans. Premium finance receivables are recorded net of unearned income of $19.5 million at September 30, 2005, $16.9 million at December 31, 2004 and $13.7 million at September 30, 2004. Total loans include net deferred loan fees and costs and fair value purchase accounting adjustments totaling $2.6 million at September 30, 2005, $1.7 million at December 31, 2004 and $2.3 million at September 30, 2004.

(5) Deposits

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

(Dollars in thousands)	**September 30, 2005**	December 31, 2004	September 30, 2004
Balance:			
Non-interest bearing	**$ 631,460**	$ 505,312	$ 449,343
NOW accounts	**716,243**	586,583	547,534
Wealth management deposits	**398,127**	390,129	364,011
Money market accounts	**672,767**	608,037	578,167
Savings accounts	**299,536**	215,697	210,236
Time certificates of deposit	**3,768,970**	2,798,976	2,602,302
Total deposits	**$ 6,487,103**	$ 5,104,734	$ 4,751,593

Mix:			
Non-interest bearing	**10%**	10%	9%
NOW accounts	**11**	11	12
Wealth management deposits	**6**	8	8
Money market accounts	**10**	12	12
Savings accounts	**5**	4	4
Time certificates of deposit	**58**	55	55
Total deposits	**100%**	100%	100%

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

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(6) Notes Payable, Federal Home Loan Bank Advances, Other Borrowings and Subordinated Notes:
The following table is a summary of notes payable, Federal Home Loan Bank advances, other borrowings and subordinated notes as of the dates shown:

(Dollars in thousands)	**September 30, 2005**	December 31, 2004	September 30, 2004
Notes payable	**$ 1,000**	$ 1,000	$ 1,000
Federal Home Loan Bank advances	**343,355**	303,501	264,104
Other borrowings:			
Federal funds purchased	**1,803**	78,576	
Securities sold under repurchase agreements	**73,157**	118,669	39,358
Other	**3,952**	4,679	4,685
Total other borrowings	**78,912**	201,924	44,043
Subordinated notes	**50,000**	50,000	50,000
Total notes payable, Federal Home Loan Bank advances, other borrowings and subordinated notes	**$ 473,267**	$ 556,425	$ 359,147

The notes payable balance consists of $1.0 million of notes payable in connection with the Company s $51.0 million loan agreement with an unaffiliated bank. The $1.0 million note is due on June 1, 2015. The Company also has a $50.0 million revolving note, which matures on June 1, 2006, pursuant to the loan agreement. The loan agreement provides the Company with borrowing capacity to support further growth, including possible acquisitions, and other corporate purposes. Interest is calculated, at the Company s option, at a floating rate equal to either: (1) LIBOR plus 140 basis points or (2) the greater of the lender s prime rate or the Federal Funds Rate plus 50 basis points. The loan agreement is secured by the stock of the Company s bank subsidiaries. The loan agreement was amended by the Company in August 2005.

Federal Home Loan Bank advances consist of fixed rate and variable rate obligations of the Banks and are collateralized by qualifying residential real estate loans.

At September 30, 2005, securities sold under repurchase agreements represent $72.9 million of customer balances in sweep accounts in connection with master repurchase agreements at the Banks and $307,000 of short-term borrowings from brokers.

At September 30, 2005 other includes a $2.0 million mortgage that matures on June 1, 2006, related to the Company s Northfield banking office and $1.7 million in borrowings at the Company s brokerage firm to fund its securities position. In the third quarter of 2005, Wayne Hummer Investments converted its operations to an out-sourced securities clearing platform, and in connection with this conversion borrowed funds from the third party service provider.

The subordinated notes represent two $25.0 million notes, issued in October 2002 and April 2003. Each note requires annual principal payments of $5.0 million beginning after the sixth year, with final maturities in 2012 and 2013. The Company may redeem the subordinated notes at any time prior to maturity. On August 2, 2005, the Company entered into an agreement with the holder of the subordinated notes, effective as of June 7, 2005, to reduce the interest rates payable on each note from LIBOR plus 260 basis points to LIBOR plus 160 basis points. On October 25, 2005, the Company signed an additional $25.0 million subordinated note with the holder of the other subordinated notes with substantially similar terms as the other subordinated notes.

(7) Long-term Debt Trust Preferred Securities

As of September 30, 2005 the Company owned 100% of the Common Securities of nine trusts, Wintrust Capital Trust I, Wintrust Capital Trust III, Wintrust Statutory Trust IV, Wintrust Statutory Trust V, Wintrust Capital Trust VII, Wintrust Capital Trust VIII, Northview Capital Trust I, Town Bankshares Capital Trust I, and First Northwest Capital Trust I (the Trusts) set up to provide long-term financing. The Northview, Town and First Northwest capital trusts were acquired as part of the acquisitions of Northview Financial Corporation, Town Bankshares, Ltd., and First Northwest Bancorp, Inc., respectively. The Trusts were formed for purposes of issuing Trust Preferred Securities to third-party investors and investing the proceeds from the issuance of the Trust Preferred Securities and Common Securities solely in Subordinated Debentures (Debentures) issued by the Company (or assumed by the Company in connection with an acquisition), 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.

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

The following table is a summary of the Company s Long-term debt trust preferred securities as of September 30, 2005. The Debentures represent the par value of the obligations owed to the Trusts plus basis adjustments relating to a fair value hedge of Wintrust Capital Trust I and the unamortized fair value adjustments recognized at the acquisition dates for the Northview, Town and First Northwest obligations.

(Dollars in thousands)

Issuance Trust	Trust Preferred Securities	Debentures	Issue Date	Maturity Date	Earliest Redemption Date
Wintrust Capital Trust I	$ 31,050	$ 31,742	09/30/98	09/30/28	09/30/03
Wintrust Capital Trust III	25,000	25,774	04/22/03	04/07/33	04/07/08
Wintrust Statutory Trust IV	20,000	20,619	12/08/03	12/08/33	12/31/08
Wintrust Statutory Trust V	40,000	41,238	05/11/04	05/11/34	06/30/09
Wintrust Capital Trust VII	50,000	51,550	12/13/04	03/15/35	03/15/10
Wintrust Capital Trust VIII	40,000	41,238	08/02/05	09/30/35	09/30/10
Northview Capital Trust I	6,000	6,342	08/08/03	11/08/33	08/08/08
Town Bankshares Capital Trust I	6,000	6,380	08/08/03	11/08/33	08/08/08
First Northwest Capital Trust I	5,000	5,348	05/31/04	05/31/34	05/31/09
Total		$ 230,231			

On August 2, 2005, the Company, through Wintrust Capital Trust VIII, issued $40 million of floating rate trust-preferred securities at a rate of LIBOR plus 145 basis points, with an initial rate of 5.15%. The proceeds from this new issuance were used in part on August 16, 2005 to fund the redemption of $20 million of trust-preferred securities of Wintrust Capital Trust II, which had a fixed rate of 10.50%.

The Company entered into several interest rate swap contracts to hedge the interest rates on the Debentures. As of September 30, 2005, approximately $187 million of the Debentures effectively had fixed rates of interest and approximately $43 million of the Debentures effectively had variable rates of interest. In the first and third quarters of 2005, interest rate swaps with a total notional amount of $135 million and $40 million, respectively, were entered into to effectively change the rates on several of the Debentures from variable rates to fixed rates. Swapping the rates on these Debentures from variable to fixed, along with the acceleration of the amortization of capitalized issuance costs

related to the redemption of the trust-preferred securities of Wintrust Capital Trust II, resulted in an increase in the average rate on the Debentures in the near term. The average effective rate on the Debentures in the third quarter of 2005 was 6.55%, compared to 7.11% in the second quarter of 2005, 6.33% in the first quarter of 2005 and 5.71% in the fourth quarter of 2004.

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

The Trust Preferred Securities, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. On February 28, 2005, the Federal Reserve issued a final rule that retains Tier 1 capital treatment for trust preferred securities but with stricter limits. Under the new rule, which is effective on March 31, 2009, and has a transition period until then, the aggregate amount of the trust preferred securities and certain other capital elements is limited to 25% of Tier 1 capital elements (including trust preferred securities), 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 September 30, 2005, the Company would still be considered well-capitalized under regulatory capital guidelines.

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(8) Segment Information

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

	Three Months Ended			
	September 30,		$ Change in	% Change in
(Dollars in thousands)	**2005**	2004	Contribution	Contribution
Net interest income:				
Banking	**$ 55,286**	$ 35,200	$ 20,086	57.0%
Premium finance	**10,292**	12,196	(1,904)	(15.6)
Tricom	**1,065**	965	100	10.4
Wealth management	**204**	1,213	(1,009)	(83.2)
Parent and inter-segment eliminations	**(10,778)**	(10,483)	(295)	2.8
Total net interest income	**$ 56,069**	**$** 39,091	$ 16,978	43.4%
Non-interest income:				
Banking	**$ 15,256**	$ 11,194	$ 4,062	36.2%
Premium finance	**1,293**	1,827	(534)	(29.2)
Tricom	**1,169**	1,040	129	12.4
Wealth management	**8,460**	8,209	251	3.1
Parent and inter-segment eliminations	**(815)**	(823)	8	(1.0)
Total non-interest income	**$ 25,363**	$ 21,447	$ 3,916	18.3%
Segment profit (loss):				
Banking	**$ 18,742**	$ 12,188	$ 6,554	53.8%
Premium finance	**5,520**	6,303	(783)	(12.4)
Tricom	**481**	390	91	23.3%
Wealth management	**(640)**	28	(668)	N/M
Parent and inter-segment eliminations	**(6,266)**	(5,834)	(432)	7.4
Total segment profit	**$ 17,837**	$ 13,075	$ 4,762	36.4%
Segment assets:				
Banking	**$ 7,871,449**	$ 5,724,633	$ 2,146,816	37.5%

Premium finance	**826,384**	772,146	54,238	7.0
Tricom	**52,982**	45,440	7,542	16.6
Wealth management	**41,230**	77,316	(36,086)	(46.7)
Parent and inter-segment eliminations	**(898,542)**	(802,249)	(96,293)	(12.0)
Total segment assets	**$ 7,893,503**	$ 5,817,286	$ 2,076,217	35.7%

N/M = Not meaningful

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The following table presents a summary of certain operating information for each reportable segment for nine months ended for the period shown:

(Dollars in thousands)	Nine Months Ended September 30, 2005	2004	$ Change in Contribution	% Change in Contribution
Net interest income:				
Banking	**$ 155,689**	$ 100,335	$ 55,354	55.2%
Premium finance	**31,379**	37,875	(6,496)	(17.2)
Tricom	**2,994**	2,714	280	10.3
Wealth management	**1,268**	3,887	(2,619)	(67.4)
Parent and inter-segment eliminations	**(31,422)**	(32,492)	1,070	(3.3)
Total net interest income	**$ 159,908**	$ 112,319	$ 47,589	42.4%
Non-interest income:				
Banking	**$ 39,685**	$ 28,698	$ 10,987	38.2%
Premium finance	**4,985**	5,365	(380)	(7.1)
Tricom	**3,308**	2,927	381	13.0
Wealth management	**26,567**	26,601	(34)	(0.1)
Parent and inter-segment eliminations	**(2,585)**	(1,963)	(622)	31.7
Total non-interest income	**$ 71,960**	$ 61,628	$ 10,332	16.8%
Segment profit (loss):				
Banking	**$ 51,263**	$ 33,706	$ 17,557	52.1%
Premium finance	**17,163**	19,709	(2,546)	(12.9)
Tricom	**1,282**	1,000	282	28.2
Wealth management	**(1,328)**	763	(2,091)	(274.0)
Parent and inter-segment eliminations	**(18,359)**	(18,015)	(344)	2.0
Total segment profit	**$ 50,021**	$ 37,163	$ 12,858	34.6%

9) Derivative Financial Instruments

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

Derivative instruments have inherent risks, primarily market risk and credit risk. Market risk is associated with changes in interest rates and credit risk relates to the risk that the counterparty will fail to perform according to the terms of the agreement. The amounts potentially subject to market and credit risks are the streams of interest payments under the contracts and the market value of the derivative instrument which is determined based on the interaction of the notional amount of the contract with the underlying, and not the notional principal amounts used to express the volume of the transactions. Management monitors the market risk and credit risk associated with derivative financial instruments as part of its overall Asset/Liability management process.

In accordance with Statement of Financial Accounting Standard 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities, the Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Derivative financial instruments are included in other assets or other liabilities, as appropriate, on the Consolidated Statements of Condition. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders equity as a component of other comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivative financial instruments accounted for as cash flow hedges, to the extent they are effective hedges, are recorded as a component of other comprehensive income, net of deferred taxes. Changes in fair

values of derivative financial instruments not qualifying as hedges pursuant to SFAS 133 are reported in income. Derivative contracts are valued using market values provided by the respective counterparties and are periodically validated by comparison with other third parties.

Derivatives Designated as Hedges

The Company currently hedges cash flow variability related to variable rate funding products, specifically subordinated notes and certain Debentures associated with the Company s variable rate Long-term debt trust-preferred securities, through the use of pay-fixed interest rate swaps. The Company also uses receive-fixed interest rate swaps to hedge the fair value of certain fixed rate funding products, specifically the Debentures associated with the Company s fixed rate Long-term debt trust-preferred securities.

The following table provides summary information related to the interest rate swaps used by the Company for interest rate risk management and designated as accounting hedges as of dates indicated (in thousands):

			September 30, 2005		December 31, 2004	
Hedged Instrument	Type of Hedge	Maturity Date	**Notional Amount**	**Fair Value**	Notional Amount	Fair Value
Subordinated note	Cash Flow	10/29/2012	**$ 25,000**	**$ 383**	$25,000	$(215)
Trust preferred securities	Fair Value	09/30/2028	**31,050**	**(269)**	31,050	(129)
Trust preferred securities	Cash Flow	04/07/2033	**25,000**	**(120)**		
Trust preferred securities	Cash Flow	12/08/2033	**20,000**	**(344)**		
Trust preferred securities	Cash Flow	05/11/2034	**40,000**	**(722)**		
Trust preferred securities	Cash Flow	03/15/2035	**50,000**	**(838)**		
Trust preferred securities	Cash Flow	09/30/2035	**40,000**	**(776)**		
			$231,050	**$(2,686)**	$56,050	$(344)

The interest rate swaps hedging the trust-preferred securities provide the counterparties with a call option that mirrors the call options in the respective trust-preferred securities. (Refer to Note 7 for early termination dates of trust-preferred securities). Similarly, the interest rate swap hedging the subordinated note provides for annual reductions of $5.0 million of the notional amount to coincide with the terms of the subordinated note.

All of the interest rate derivatives designated as hedges in SFAS 133 relationships were considered highly effective during the three months ending September 30, 2005, and none of the changes in fair value of these derivatives was attributed to hedge ineffectiveness.

The Company had no interest rate cap contracts outstanding at September 30, 2005, December 31, 2004 or September 30, 2004.

Derivatives Not Designated as Hedges

The Company does not enter into derivatives for purely speculative purposes. However, certain derivatives have not been designated in a SFAS 133 hedge relationship. These derivatives include commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of residential mortgage loans. It is the Company s practice to enter into forward commitments for the future delivery of residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans

held-for-sale. At September 30, 2005, the Company had approximately $149 million of interest rate lock commitments and $271 million of forward commitments for the future delivery of residential mortgage loans. The estimated fair values of these mortgage banking derivatives are reflected by a derivative asset of $513,000 and a derivative liability of $457,000. The fair values were estimated based on changes in mortgage rates from the dates of the commitments. Changes in the fair value of these mortgage banking derivatives are included in mortgage banking revenue.

In addition the Company periodically sells options to a bank or dealer for the right to purchase certain securities held within the Banks investment portfolios. These covered call option transactions are designed primarily to increase the total return associated with holding these securities as earning assets. These covered call options do not qualify as hedges pursuant to SFAS 133, and accordingly, changes in fair values of these contracts are reported in non-interest income.

There were no covered call options outstanding as of September 30, 2005, December 31, 2004 or September 30, 2004.

(10) Business Combinations

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

On March 31, 2005, Wintrust completed the acquisition of First Northwest Bancorp, Inc. (FNBI) and its wholly-owned subsidiary, First Northwest Bank. FNBI was acquired for a total purchase price of $44.7 million, consisting of $14.5 million cash, the issuance of 595,123 shares of Wintrust s common stock (then valued at $30.0 million) and vested stock options valued at $238,000. FNBI s results of operations have been included in Wintrust s results of operations since April 1, 2005. In May 2005, First Northwest Bank was merged into Village Bank.

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

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

On September 30, 2004, Wintrust completed the acquisition of Northview Financial Corporation (Northview) and its wholly-owned subsidiaries, Northview Bank and Northview Mortgage, LLC. Northview was acquired for a total purchase price of $48.0 million, consisting of $21.0 million cash, the issuance of 457,148 shares of Wintrust s common stock (then valued at $25.1 million) and vested stock options valued at $1.9 million. On December 13, 2004, Northview Bank s two branches in Northfield became branches of Northbrook Bank, its Mundelein branch became a branch of Libertyville Bank and its bank charter was moved to its Wheaton branch and the bank was renamed Wheaton Bank & Trust Company. Northview s results of operations have been included in Wintrust s consolidated financial statements since October 1, 2004.

In May 2004, Wintrust completed the acquisitions of SGB Corporation d/b/a WestAmerica Mortgage Company (WestAmerica) and WestAmerica s affiliate, Guardian Real Estate Services, Inc. (Guardian). WestAmerica and Guardian were acquired for a total purchase price of $19.5 million, consisting of $11.0 million cash and the issuance of 180,438 shares of Wintrust s common stock (then valued at $8.5 million). Wintrust is obligated to pay additional contingent consideration in connection with these acquisitions upon WestAmerica s and Guardian s attainment of certain net income levels through June 30, 2009. The additional consideration, if any, will be recorded when the additional consideration is deemed, beyond a reasonable doubt, to have been earned. WestAmerica s and Guardian s results of operations have been included in Wintrust s consolidated financial statements since May 1, 2004, the effective date of the acquisitions.

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(11) Goodwill and Other Intangible Assets

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

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

(Dollars in thousands)	January 1, 2005	Goodwill Acquired	Impairment Losses	**September 30, 2005**
Banking	$ 91,011	$ 82,019	$	**$ 173,030**
Premium finance				
Tricom	8,958			**8,958**
Wealth management	13,492	461		**13,953**
Parent and other				
Total	$ 113,461	$ 82,480	$	**$ 195,941**

The increase in the Banking segment s goodwill in the first nine months of 2005 relates to $53.8 million recorded in connection with the acquisition of Antioch and $28.4 million in connection with the acquisition of FNBI, offset by a net reduction in goodwill of approximately $188,000 related to adjustments of prior estimates of fair values associated with 2004 acquisitions of Guardian Real Estate Services, Inc., Northview Financial Corporation and Town Bankshares.

The increase in goodwill in the wealth management segment represents additional contingent consideration earned by the former owners of Lake Forest Capital Management (LFCM) as a result of attaining certain performance measures pursuant to the terms of the LFCM purchase agreement. Wintrust could pay additional consideration pursuant to this transaction through January 2007. LFCM was merged into WHAMC.

At September 30, 2005 and 2004, Wintrust had $18.5 million and $4.6 million, respectively, in unamortized finite-lived intangible assets, classified on the Consolidated Statement of Condition as other intangible assets. These other intangible assets relate to the portion of the purchase price assigned to the value of core deposit intangibles in each of the bank acquisitions and to the value of customer lists in the acquisitions of WHAMC and LFCM. Since September 30, 2004, $16.9 million of core deposit intangibles were booked related to the four bank acquisitions completed in 2004 and 2005. Core deposit intangibles and wealth management customer lists accounted for $17.2 million and $1.3 million, respectively, of the other intangible assets as of September 30, 2005. Core deposit intangibles are being amortized on an accelerated basis over ten-year periods and the values assigned to the customer lists of LFCM and WHAMC are being amortized on an accelerated basis over seven years.

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

(Dollars in thousands)	
Actual in 9 months ended September 30, 2005	$2,509
Estimated remaining in 2005	884
Estimated - 2006	2,956
Estimated - 2007	2,423
Estimated - 2008	2,033
Estimated - 2009	1,873

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(12) Stock-Based Compensation Plans

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

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(Dollars in thousands, except share data)	**2005**	2004	**2005**	2004
Net income				
As reported	**$17,837**	$ 3,075	**$50,021**	$37,163
Compensation cost of stock options based on fair value, net of related tax effect	**(904)**	(608)	**(2,404)**	(1,673)
Pro forma	**$16,933**	$12,467	**$47,617**	$35,490
Earnings per share Basic				
As reported	**$ 0.76**	$ 0.64	**$ 2.18**	$ 1.83
Compensation cost of stock options based on fair value, net of related tax effect	**(0.04)**	(0.03)	**(0.11)**	(0.09)
Pro forma	**$ 0.72**	$ 0.61	**$ 2.07**	$ 1.74
Earnings per share Diluted				
As reported	**$ 0.72**	$ 0.60	**$ 2.07**	$ 1.71
Compensation cost of stock options based on fair value, net of related tax effect	**(0.04)**	(0.03)	**(0.10)**	(0.07)
Pro forma	**$ 0.68**	$ 0.57	**$ 1.97**	$ 1.64

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

Included in the determination of net income as reported is compensation expense related to restricted share awards of $660,000 ($408,000 net of tax) in the third quarter of 2005 and $183,000 ($112,000 net of tax) in the third quarter of 2004. For the nine months ended September 30, 2005 and 2004, net income as reported included compensation expense related to restricted share awards of $1.8 million ($1.1 million net of tax) and $538,000 ($330,000 net of tax), respectively.

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. SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. In the first quarter of 2005 the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107 which provided further clarification on the implementation of SFAS 123R.

Alternative phase-in methods are allowed under SFAS 123R, which was to be effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The SEC announced in the second quarter of 2005 that it would extend this phase-in period and, therefore, Wintrust s effective date for implementation of SFAS 123R is January 1, 2006. The Company plans to adopt the modified prospective method provided for in SFAS 123R, in which compensation cost is recognized for all equity awards granted after the effective date based on the requirements of SFAS 123R and, for all equity awards granted prior to the effective date that remain unvested on the effective date based on the requirements of

SFAS 123. SFAS 123R requires an entity to recognize compensation expense based on an estimate of the number of awards expected to actually vest, exclusive of awards expected to be forfeited. As permitted by SFAS 123, the Company currently accounts for stock options granted to employees using APB 25 s intrinsic value method and, as such, generally recognizes no compensation cost for employee stock options. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had the Company adopted SFAS 123R in prior periods, the impact of that standard would have approximated the impact of SFAS 123 as described in the disclosure of pro forma net income and earnings per share previously in this Note. Wintrust expects to adopt SFAS 123R on January 1, 2006.

(13) Earnings Per Share

Basic earnings per share (EPS) are computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS are computed by dividing net income by the weighted average number of common shares adjusted for the dilutive effect of outstanding stock options, restricted stock units awards, stock warrants and shares to be issued under the employee stock purchase plan and the Directors Deferred Fee and Stock Plan.

The following table shows the computation of basic and diluted EPS for the periods indicated:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Dollars in thousands, except per share data)	**2005**	2004	**2005**	2004
Net income	**$ 17,837**	$ 13,075	**$ 50,021**	$ 37,163
Average common shares outstanding	**23,615**	20,541	**22,990**	20,347
Effect of dilutive potential common shares	**1,156**	1,345	**1,159**	1,327
Weighted average common shares and effect of dilutive potential common shares	**24,771**	21,886	**24,149**	21,674
Net income per common share:				
Basic	**$ 0.76**	$ 0.64	**$ 2.18**	$ 1.83
Diluted	**$ 0.72**	$ 0.60	**$ 2.07**	$ 1.71

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

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

The following discussion and analysis of financial condition as of September 30, 2005, compared with December 31, 2004, and September 30, 2004, and the results of operations for the three and nine-month periods ended September 30, 2005 and 2004 should be read in conjunction with the Company s unaudited consolidated financial statements and notes contained in this report. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management s current expectations. See the last section of this discussion for further information on forward-looking statements.

Overview and Strategy

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

Community Banking

The Company s community banking franchise consists of 13 community banks (the Banks) with 59 locations. The Company developed its banking franchise through the *de novo* organization of eight banks (42 locations) and the purchase of six banks, one of which was merged into another of our banks, with 17 locations. Wintrust acquired First Northwest Bank, with two banking locations, on March 31, 2005, and in May 2005, merged its charter into Village Bank. Wintrust s first bank was organized in December 1991, as a highly personal service-oriented community bank. Each of the banks organized or acquired since then share that same commitment to community banking. The Company has grown to $7.89 billion in total assets at September 30, 2005 from $5.82 billion in total assets at September 30, 2004, an increase of 36%. The historical financial performance of the Company has been affected by costs associated with growing market share in deposits and loans, establishing and acquiring banks, opening new branch facilities and building an experienced management team. The Company s financial performance generally reflects the improved profitability of its banking subsidiaries as they mature, offset by the costs of establishing and acquiring banks and opening new branch facilities. The Company s experience has been that it generally takes 13 to 24 months for new banks to achieve operational profitability depending on the number and timing of branch facilities added.

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

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

First Northwest Bank *(organized 1995; merged into Village Bank in May 2005)*	Acquired	March, 2005

Following is a summary of the activity related to the expansion of the Company s banking franchise since September 30, 2004:

2005 Banking Expansion Activity

New branch locations:

- Ø Buffalo Grove Bank & Trust, a branch of Northbrook Bank
- Ø Lake Bluff drive through facility added to existing banking office; a branch of Lake Forest Bank
- Ø Northwest Highway in Barrington, a branch of Barrington Bank
- Ø Palatine Bank & Trust, a branch of Barrington Bank

Acquisitions:

- Ø State Bank of The Lakes, with locations in Antioch, Lindenhurst, Grayslake, Spring Grove and McHenry
- Ø First Northwest Bank, with two locations in Arlington Heights

Branch Closure:

- Ø Wayne Hummer Bank (a convenience facility in WHI s Chicago office), a branch of North Shore Bank

2004 Banking Expansion Activity

New branch locations:

- Ø Sauganash, a branch of North Shore Bank

Acquisitions:

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

While committed to a continuing growth strategy, management s ongoing focus is to balance further asset growth with earnings growth by seeking to more fully leverage the existing capacity within each of the operating subsidiaries. One aspect of this strategy is to continue to pursue specialized earning asset niches in order to maintain the mix of earning assets in higher-yielding loans as well as diversify the loan portfolio. Another aspect of this strategy is a continued focus on less aggressive deposit pricing at the Banks with significant market share and more established customer bases.

Specialty Lending

First Insurance Funding Corporation (FIFC) is the Company s most significant specialized earning asset niche, originating $663 million in loan (premium finance receivables) volume in the third quarter of 2005, $2.0 billion in the first nine months of 2005 and $1.9 billion in the first nine months of 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 than relationship lending; however, management established various control procedures to mitigate the risks associated with this lending. The majority of these loans are purchased by the Banks in order to more fully utilize their lending capacity as these loans generally provide the Banks with higher yields than alternative investments. FIFC sold approximately $137 million, or 21%, of the receivables generated in the third quarter of 2005 to an unrelated third party while retaining servicing rights. The Company began selling premium finance receivables to a third party in 1999. The Company s strategy is to maintain its average loan-to-deposit ratio in the range of 85-90% as well as to be asset-driven, achieving both of these objectives through the sale of premium finance receivables. During the third quarter of 2005, the Company s average loan-to-deposit ratio was 83%, slightly below the target range. This was due to deposit growth at recently opened *de novo* locations exceeding expectations coupled with strong but slower loan origination growth. In addition to recognizing gains on the sale of these receivables, the proceeds provide the Company with additional liquidity. Consistent with the Company s strategy to be asset-driven, it is probable that similar sales of these receivables will occur in the future;

however, future sales of these receivables depend on the level of new volume growth in relation to the capacity to retain such loans within the Banks loan portfolios.

As part of its continuing strategy to enhance and diversify its earning asset base and revenue stream, in May 2004, the Company acquired SGB Corporation d/b/a WestAmerica Mortgage Company (WestAmerica) and WestAmerica s affiliate, Guardian Real Estate Services, Inc. (Guardian). WestAmerica engages primarily in the origination and purchase of residential mortgages for sale into the secondary market, and Guardian provides the document preparation and other loan closing services to WestAmerica and a network of mortgage brokers. WestAmerica sells its loans with servicing released and does not currently engage in servicing loans for others. WestAmerica maintains principal origination offices in ten states, including Illinois, and originates loans in other states through wholesale and correspondent offices. WestAmerica provides the Banks with an enhanced loan origination and documentation system which allows each firm to better utilize existing operational capacity and improve the product offering for the Banks customers. WestAmerica s production of adjustable rate mortgage loan products and other variable rate mortgage loan products may be purchased by the Banks for their loan portfolios resulting in additional earning assets to the combined organization, thus adding further desired diversification to the Company s earning asset base. In connection with the Company s acquisition of Northview Bank in September 2004, the Company also acquired Northview Mortgage, LLC, a mortgage broker. Mortgage banking activities are also performed by the Banks.

In October 1999, the Company acquired Tricom as part of its continuing strategy to pursue specialized earning asset niches. Tricom is a company based in the Milwaukee area that has been in business since 1989 and specializes in providing high-yielding, short-term accounts receivable financing and value-added, out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to clients in the temporary staffing industry. Tricom s clients, located throughout the United States, provide staffing services to businesses in diversified industries. These receivables may involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral. The principal sources of repayments on the receivables are payments to borrowers from their customers who are located throughout the United States. The Company mitigates this risk by employing lockboxes and other cash management techniques to protect its interests. By virtue of the Company s funding resources, this acquisition has provided Tricom with additional capital necessary to expand its financing services in a national market. Tricom s revenue principally consists of interest income from financing activities and fee-based revenues from administrative services.

In addition to the earning asset niches provided by the Company s non-bank subsidiaries, several earning asset niches operate within the Banks, including indirect auto lending which is conducted through Hinsdale Bank and Barrington Bank s Community Advantage program that provides lending, deposit and cash management services to condominium, homeowner and community associations. In addition, Hinsdale Bank operates a mortgage warehouse lending program that provides loan and deposit services to mortgage brokerage companies located predominantly in the Chicago metropolitan area, and Crystal Lake Bank has developed a specialty in small aircraft lending which is operated through its North American Aviation Financing division. The Company continues to pursue the development and/or acquisition of other specialty lending businesses that generate assets suitable for bank investment and/or secondary market sales.

Wealth Management

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

WHI, a registered broker-dealer, provides a full-range of investment products and services tailored to meet the specific needs of individual investors throughout the country, primarily in the Midwest. Although headquartered in Chicago, WHI also operates an office in Appleton, Wisconsin. As of September 30, 2005, WHI also has branch locations in offices at Lake Forest Bank, Hinsdale Bank, Libertyville Bank, Barrington Bank, Crystal Lake Bank, Advantage Bank, North Shore Bank, Wheaton Bank, Northbrook Bank and Town Bank. The Company plans to open WHI offices

at each of the Banks. WHI is a member of the New York Stock Exchange (NYSE), the American Stock Exchange and the National Association of Securities Dealers (NASD). In connection with WHI s conversion to an out-sourced securities clearing platform in the third quarter of 2005, early in the fourth quarter of 2005, WHI accepted an offer to sell its NYSE seat to an unaffiliated third party. The transaction is expected to close near year end. Focused, a NASD member broker/dealer, is a wholly-owned subsidiary of

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WHI and provides a full range of investment services to clients through a network of relationships with unaffiliated community-based financial institutions located primarily in Illinois.

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

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

The following table presents a summary of the approximate amount of assets under administration and/or management in the Company s wealth management operating subsidiaries as of the dates shown:

(Dollars in thousands)	**September 30, 2005**	December 31, 2004	September 30 2004
WHTC	**$ 659,952**	$ 633,053	$ 644,248
WHAMC [(1)]	**871,985**	854,327	813,460
WHAMC s proprietary mutual funds	**167,539**	187,080	176,095
WHI brokerage assets in custody	**5,000,000**	5,100,000	4,900,000

(1) *Excludes the proprietary mutual funds managed by WHAMC*

The decrease in the managed assets in WHAMC s proprietary mutual funds from the third quarter of 2004 and year end 2004, relates to the liquidation of the Wayne Hummer Core Portfolio Fund in the first quarter of 2005. This fund had a balance of $12.9 million as of September 30, 2004 and $12.0 million as of December 31, 2004.

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RESULTS OF OPERATIONS

Earnings Summary

The Company s key operating measures for 2005, as compared to the same periods of last year, are shown in the table below:

(Dollars in thousands, except per share data)	**Nine Months Ended September 30, 2005**	Nine Months Ended September 30, 2004	Percentage (%)/ Basis Point (bp) Change
Net income	**$ 50,021**	$ 37,163	35%
Net income per common share Diluted	**2.07**	1.71	21
Net revenue [1]	**231,868**	173,947	33
Net interest income	**159,908**	112,319	42
Net interest margin [5]	**3.19%**	3.16%	3bp
Core net interest margin [2][5]	**3.40**	3.30	10
Net overhead ratio [3]	**1.36**	1.25	11
Efficiency ratio [4] [5]	**63.70**	63.74	(4)
Return on average assets	**0.90**	0.95	(5)
Return on average equity	**11.48**	13.46	(198)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004	Percentage (%)/ Basis Point (bp) Change
Net income	**$ 17,837**	$ 13,075	36%
Net income per common share Diluted	**0.72**	0.60	20
Net revenue [1]	**81,432**	60,538	35
Net interest income	**56,069**	39,091	43
Net interest margin [5]	**3.18%**	3.17%	1bp
Core net interest margin [2] [5]	**3.39**	3.32	7
Net overhead ratio [3]	**1.27**	1.25	2
Efficiency ratio [4] [5]	**61.61**	64.29	(268)
Return on average assets	**0.91**	0.96	(5)
Return on average equity	**11.83**	13.56	(173)
At end of period			
Total assets	**$ 7,893,503**	$ 5,817,286	36%
Total loans	**5,149,795**	4,000,175	29
Total deposits	**6,487,103**	4,751,593	37
Long-term debt trust preferred securities	**230,231**	146,465	57
Total shareholders equity	**613,761**	430,153	43
Book value per common share	**25.95**	20.42	27
Market price per common share	**50.26**	57.28	(12)
Allowance for loan losses to total loans	**0.79%**	0.79%	bp

Non-performing assets to total assets	**0.34**	0.33	1

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

(2) The core net interest margin excludes the net interest expense associated with Wintrust s Long-term Debt Trust Preferred Securities.

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

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

generation.

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

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

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Supplemental Financial Measures/Ratios

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

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

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

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

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
(Dollars in thousands)	**2005**	2004	**2005**	2004
(A) Interest income (GAAP)	**$ 106,472**	$ 65,377	**$ 292,470**	$ 184,683
Taxable-equivalent adjustment:				
- Loans	**123**	123	**427**	330
- Liquidity management assets	**221**	39	**555**	173
- Other earning assets	**2**	10	**15**	39
Interest income FTE	**$ 106,818**	$ 65,549	**$ 293,467**	$ 185,225
(B) Interest expense (GAAP)	**50,403**	26,286	**132,562**	72,364
Net interest income FTE	**$ 56,415**	$ 39,263	**$ 160,905**	$ 112,861
(C) Net interest income (GAAP) (A minus B)	**$ 56,069**	$ 39,091	**$ 159,908**	$ 112,319
Net interest income FTE	**$ 56,415**	$ 39,263	**$ 160,905**	$ 112,861
Add: Interest expense on long-term debt trust preferred securities, net (1)	**3,683**	1,919	**10,481**	4,938
Core net interest income FTE (2)	**$ 60,098**	$ 41,182	**$ 171,386**	$ 117,799
(D) Net interest margin (GAAP)	**3.16%**	3.15%	**3.17%**	3.14%
Net interest margin FTE	**3.18%**	3.17%	**3.19%**	3.16%
Core net interest margin FTE (2)	**3.39%**	3.32%	**3.40%**	3.30%

(E) Efficiency ratio (GAAP)	**61.87%**	64.47%	**63.97%**	63.94%
Efficiency ratio FTE	**61.61%**	64.29%	**63.70%**	63.74%

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

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

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Critical Accounting Policies

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

Net Income

Net income for the quarter ended September 30, 2005 totaled $17.8 million, an increase of $4.7 million, or 36%, over the $13.1 million recorded in the third quarter of 2004. On a per share basis, net income for the third quarter of 2005 totaled $0.72 per diluted common share, an increase of $0.12 per share, or 20%, as compared to the 2004 third quarter total of $0.60 per diluted common share. The return on average equity for the third quarter of 2005 was 11.83%, compared to 13.56% for the prior year quarter.

Net income for the first nine months of 2005, totaled $50.0 million, an increase of $12.8 million, or 35%, compared to $37.2 million for the same period in 2004. On a per share basis, net income per diluted common share was $2.07 for the first nine months of 2005, an increase of $0.36 per share, or 21%, compared to $1.71 for the first nine months of 2004. Return on average equity for the first nine months of 2005 was 11.48% versus 13.46% for the same period of 2004.

The lower growth rate in the earnings per share as compared to net income for the third quarter and for the nine months ended September 30, 2005 as well as the lower return on average equity in the 2005 periods compared to the same periods of 2004 are due primarily to increases in the average number of common shares outstanding. Common shares outstanding increased 12% (2.6 million shares) from September 30, 2004 to September 30, 2005. The increase in the number of common shares outstanding was due primarily from the issuance of 1.0 million new shares in March 2005, 372,535 new shares in October 2004 in connection with the acquisition of Town Bankshares, Ltd., and 595,123 new shares in March 2005 in connection with the acquisition of First Northwest Bancorp, Inc.

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

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Net Interest Income

Net interest income, which is the difference between interest income and fees on earning assets and interest expense on deposits and borrowings, is the major source of earnings for Wintrust. Tax-equivalent net interest income for the quarter ended September 30, 2005 totaled $56.4 million, an increase of $17.1 million, or 44%, as compared to the $39.3 million recorded in the same quarter of 2004. This increase is primarily attributable to increases in the Company s earning asset base. In the third quarter of 2005, average loans, the highest yielding component of the earning asset base, represented 75% of total earning assets and increased $1.5 billion, or 39%, over the third quarter of 2004. The table on page 28 presents a summary of the dollar amount of changes in tax-equivalent net interest income attributable to changes in the volume of earning assets and changes in the rates earned and paid during the third quarter of 2005 compared to the same period of 2004 as well as the second quarter of 2005. The table on page 28 also summarizes activity for the first nine months of 2005 compared to the same period of 2004.

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

	For the Three Months Ended September 30, 2005			For the Three Months Ended September 30, 2004		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets (1) (2) (8)	**$ 1,752,224**	**$ 17,346**	**3.93%**	$ 1,084,180	$ 10,570	3.88%
Other earning assets (2) (3)(8)	**9,894**	**180**	**7.21**	39,292	434	4.39
Loans, net of unearned income(2) (4) (8)	**5,289,745**	**89,292**	**6.70**	3,812,734	54,545	5.69
Total earning assets (8)	**$ 7,051,863**	**$ 106,818**	**6.01%**	$ 4,936,206	$ 65,549	5.28%
Allowance for loan losses	**(41,182)**			(29,584)		
Cash and due from banks	**161,794**			100,436		
Other assets	**606,728**			423,691		
Total assets	**$ 7,779,203**			$ 5,430,749		
Interest-bearing deposits	**$ 5,733,021**	**$ 41,913**	**2.90%**	$ 3,952,110	$ 21,044	2.12%
Federal Home Loan Bank advances	**346,057**	**3,127**	**3.59**	244,017	2,186	3.56
Notes payable and other borrowings	**119,585**	**869**	**2.88**	97,561	346	1.41
Subordinated notes	**50,000**	**697**	**5.45**	50,000	723	5.66
Long-term debt trust preferred securities	**226,698**	**3,797**	**6.55**	139,838	1,987	5.56
Total interest-bearing liabilities	**$ 6,475,361**	**$ 50,403**	**3.08%**	$ 4,483,526	$ 26,286	2.33%
Non-interest bearing deposits	**617,547**			432,695		
Other liabilities	**88,074**			130,994		
Equity	**598,221**			383,534		

Total liabilities and shareholders equity	**$ 7,779,203**			$ 5,430,749		
Interest rate spread [5] [8]			**2.93%**			2.95%
Net free funds/contribution [6]	**$ 576,502**		**0.25**	$ 452,680		0.22
Net interest income/Net interest margin [8]		**$ 56,415**	**3.18%**		$ 39,263	3.17%
Core net interest margin [7] [8]			**3.39%**			3.32%

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

(2) Interest income on tax-advantaged loans, trading account securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the quarters ended September 30, 2005 and 2004 were $346,000 and $172,000, respectively.

(3) Other earning assets include

brokerage customer receivables and trading account securities.

(4) *Loans, net of unearned income, include mortgages held-for-sale and non-accrual loans.*

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

(6) *Net free funds 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 the net interest expense associated with Wintrust s Long-term Debt Trust Preferred Securities.*

(8) See Supplemental Financial Measures/Ratios section of this report for additional information on this performance measure/ratio.

Net interest margin represents tax-equivalent net interest income as a percentage of the average earning assets during the period. For the third quarter of 2005 the net interest margin was 3.18%, an increase of one basis point when compared to the net interest margin of 3.17% in the prior year third quarter, and a one basis point decrease when compared to the net interest margin of 3.19% in the second quarter of 2005. The core net interest margin, which excludes the net interest expense related to Wintrust s Long-term Debt Trust Preferred Securities, was 3.39% for the third quarter of 2005, 3.32% for the third quarter of 2004 and 3.40% for the second quarter of 2005.

The net interest margin increase of one basis point in the third quarter of 2005 compared to the third quarter of 2004 resulted as the yield on earning assets increased by 73 basis points, the rate paid on interest-bearing liabilities increased by 75 basis points and the contribution from net free funds increased by three basis points. The earning asset yield increase was primarily attributable to a 101 basis point increase in the yield on loans. The higher loan yield is reflective of the interest rate increases effected by the Federal Reserve Bank offset somewhat by continued competitive loan pricing pressures, including the pricing related to the premium finance receivables portfolio. The interest-bearing liability rate increase of 75 basis points was due to higher costs of retail deposits as rates have generally risen in the past 12 months, continued competitive pricing pressures on fixed-maturity time deposits in most markets and the promotional pricing activities associated with opening additional de novo branches and branches acquired through acquisition. Combined, these factors caused a slight decline in the third quarter 2005 net interest margin compared to the second quarter of 2005. Overall, the Company believes it is well positioned for expected future rate increases.

The yield on total earning assets for the third quarter of 2005 was 6.01% as compared to 5.28% in the third quarter of 2004. The increase of 73 basis points from the third quarter of 2004 resulted primarily from the rising interest rate environment in the last 15 months offset by the effects of a flattening yield curve. The third quarter 2005 yield on loans was 6.70%, a 101 basis point increase when compared to the prior year third quarter yield of 5.69%. Compared to the second quarter of 2005, the yield on earning assets increased 19 basis points primarily as a result of a 29 basis point increase in the yield on total loans, offset by a 14 basis point decline in the yield on liquidity management assets. The liquidity management asset yield decline was attributable to higher levels of lower yielding short-term investments.

The average loan to average deposit ratio was 83.3% in the third quarter of 2005, 87.0% in the third quarter of 2004 and 82.8% in the second quarter of 2005. Expansion of the net interest margin in the past two quarters has been hampered by the loan to deposit ratio falling below the Company s targeted range of 85% to 90% as deposit growth at recently opened de novo branches was very strong and loan originations were slightly slower than expected as the Company chooses not to compromise on underwriting standards when competing for loan balances. The heavier reliance in both the second and third quarters of 2005 on lower- yielding liquidity management assets has contributed to the slightly lower net interest margin levels. Additionally, during the third quarter of 2005, the brokerage customer receivables component of other earning assets ceased being an asset of the Company s broker dealer subsidiary as a result of the conversion to an out-sourced securities clearing platform. This asset typically had a higher yield than total liquidity management assets. This restricted net interest margin improvement in the third quarter of 2005.

The rate paid on interest-bearing deposits increased to 2.90% in the third quarter of 2005 as compared to 2.12% in the third quarter of 2004. The rate paid on wholesale funding, consisting of Federal Home Loan Bank of Chicago advances, notes payable, subordinated notes, other borrowings and trust preferred securities, increased to 4.50% in the third quarter of 2005 compared to 3.89% in the third quarter of 2004 as a result of higher overnight funding costs, the additional trust preferred borrowings added in 2004 and the acceleration of the unamortized issuance costs related to the Company s 10.50% Cumulative Trust Preferred Securities that were redeemed in August 2005. The Company utilizes certain borrowing sources to fund the additional capital requirements of the subsidiary banks, manage its capital, manage its interest rate risk position and for general corporate purposes.

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

	For the Nine Months Ended September 30, 2005			For the Nine Months Ended September 30, 2004		
(Dollars in thousands)	**Average**	**Interest**	**Rate**	Average	Interest	Rate
Liquidity management assets [1] [2] [8]	**$ 1,660,785**	**$ 49,602**	**3.99%**	$ 1,047,334	$ 29,858	3.81%
Other earning assets [2] [3][8]	**25,043**	**1,099**	**5.87**	38,045	1,170	4.11
Loans, net of unearned income [2] [4] [8]	**5,055,228**	**242,766**	**6.42**	3,688,532	154,197	5.58
Total earning assets [8]	**$ 6,741,056**	**$ 293,467**	**5.82%**	$ 4,773,911	$ 185,225	5.18%
Allowance for loan losses	**(40,016)**			(28,262)		
Cash and due from banks	**156,898**			101,741		
Other assets	**579,743**			353,068		
Total assets	**$ 7,437,681**			$ 5,200,458		
Interest-bearing deposits	**$ 5,425,910**	**$ 107,172**	**2.64%**	$ 3,813,646	$ 57,909	2.03%
Federal Home Loan Bank advances	**328,561**	**8,744**	**3.56**	207,890	5,752	3.70
Notes payable and other borrowings	**191,109**	**3,553**	**2.49**	141,538	1,476	1.39
Subordinated notes	**50,000**	**2,297**	**6.06**	50,000	2,130	5.60
Long-term debt trust preferred securities	**213,637**	**10,796**	**6.66**	120,247	5,097	5.57
Total interest-bearing liabilities	**$ 6,209,217**	**$ 132,562**	**2.85%**	$ 4,333,321	$ 72,364	2.23%
Non-interest bearing deposits	**582,271**			372,994		
Other liabilities	**63,867**			125,350		
Equity	**582,326**			368,793		
Total liabilities and shareholders equity	**$ 7,437,681**			$ 5,200,458		
Interest rate spread [5] [8]			**2.97%**			2.95%
Net free funds/contribution [6]	**$ 531,839**		**0.22**	$ 440,590		0.21
Net interest income/Net interest margin [8]		**$ 160,905**	**3.19%**		$ 112,861	3.16%

Core net interest margin [7] [8]	**3.40%**	3.30%

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

(2) Interest income on tax-advantaged loans, trading account securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments for the nine months ended September 30, 2005 and 2004 were $997,000 and $542,000 respectively.

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

(4) Loans, net of unearned income, include mortgages

held-for-sale and non-accrual loans.

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

(6) *Net free funds are the difference between total average earning assets and total average interest-bearing liabilities. The contribution is based on the rate paid for total interest-bearing liabilities.*

(7) *The core net interest margin excludes the effect of the net interest expense associated with Wintrust s Long-term Debt Trust Preferred Securities.*

(8) *See Supplemental Financial Measures/Ratios section of this report for additional information on this performance measure/ratio.*

The tax-equivalent net interest income for the nine months ending September 30, 2005 totaled $160.9 million, an increase of $48.0 million, or 43%, compared to the $112.9 million recorded for the same period in 2004. The year-to-date net interest margin was 3.19%, an increase of three basis points when compared to the net interest margin

of 3.16% in the prior year. The net interest margin increase of three basis points in the first nine months of 2005 compared to the first nine months of 2004 resulted as the yield on earning assets increased by 64 basis points, the rate paid on interest-bearing liabilities increased by 62 basis points and the contribution from net free funds increased by one basis point. As discussed previously, expansion of the Company s net interest margin has been restricted by a lower loan to deposit ratio. The average loan to average deposit ratio, on a year-to-date basis, was 84.1% in 2005 and 88.1% in 2004.

The yield on total earning assets for the first nine months of 2005 was 5.82% compared to 5.18% in 2004, an increase of 64 basis points resulting primarily from the effect of higher yields on loans. Average loans, the highest yielding component of the earning asset base, increased $1.4 billion, or 37%, in the first nine months of 2005 compared to the prior year period. The average yield on loans during the nine months ended September 30, 2005, was 6.42%, an increase of 84 basis points compared to 5.58% for the same period of 2004.

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The rate paid on interest-bearing liabilities for the first nine months of 2005 was 2.85% compared to 2.23% in the first nine months of 2004, an increase of 62 basis points. Deposits accounted for 87% of total interest bearing liabilities in the first nine months of 2005 and 88% in the same period of 2004. The average rate paid on deposits was 2.64% in the first nine months of 2005, an increase of 61 basis points compared to the average rate of 2.03% in the first nine months of 2004.

The following table presents an analysis of the changes in the Company s tax-equivalent net interest income comparing the three-month periods ended September 30, 2005 and June 30, 2005, the nine-month periods ended September 30, 2005 and September 30, 2004 and the three-month periods ended September 30, 2005 and September 30, 2004. The reconciliation sets forth the change in the tax-equivalent net interest income as a result of changes in volumes, changes in rates and differing number of days in each period:

(Dollars in thousands)	Third Quarter of 2005 Compared to Second Quarter of 2005	First Nine Months of 2005 Compared to First Nine Months of 2004	Third Quarter of 2005 Compared to Third Quarter of 2004
Tax-equivalent net interest income for comparative period	$ 54,206	$ 112,861	$ 39,263
Change due to mix and growth of earning assets and interest-bearing liabilities (volume)	2,330	44,099	16,218
Change due to interest rate fluctuations (rate)	(710)	4,358	934
Change due to number of days in each period	589	(413)	
Tax-equivalent net interest income for the period Ended September 30, 2005	**$ 56,415**	**$ 160,905**	**$ 56,415**

Non-interest Income

For the third quarter of 2005, non-interest income totaled $25.4 million and increased $3.9 million compared to the prior year third quarter. For the nine months ended September 30, 2005, non-interest income totaled $72.0 million, an increase of $10.3 million, or 17%, compared to the same period of 2004. The increase in non-interest income in the quarter and year-to-date periods is primarily a result of higher mortgage banking revenue, higher levels of fees on covered call transactions and the impact of the recent acquisitions offset by lower wealth management fees, lower gain on sales of premium finance receivables and lower net available-for-sale securities gains.

Non-interest income as a percentage of net revenue decreased to 31% in the third quarter of 2005, from 35% in the third quarter of 2004. Similarly, for the nine months ending September 30, 2005, non-interest income as a percentage of net revenue was 31%, compared to 35% for the same period of 2004. The Company uses this as a measuring stick as it works towards balancing the mix of net interest income and non-interest income. The impact of the four community bank acquisitions in the last twelve months, has reduced this ratio as their revenue mix is more heavily weighted towards net interest income.

The following tables present non-interest income by category for the periods presented:

	Three Months Ended September 30,		$	%
(Dollars in thousands)	**2005**	2004	Change	Change
Brokerage fees	**$ 4,454**	$ 4,984	$ (530)	(10.6)%
Trust and asset management fees	**2,496**	2,179	317	14.5
Total wealth management fees	**6,950**	7,163	(213)	(3.0)
Mortgage banking revenue	**7,773**	5,292	2,481	46.9
Service charges on deposit accounts	**1,518**	998	520	52.1
Gain on sales of premium finance receivables	**1,602**	1,827	(225)	(12.3)
Administrative services revenue	**1,169**	1,040	129	12.5
Net available-for-sale securities gains	**89**	878	(789)	(89.9)
Other:				
Fees from covered call and put options	**3,998**	2,669	1,329	49.8
Bank Owned Life Insurance	**701**	520	181	34.7
Miscellaneous	**1,563**	1,060	503	47.5
Total other	**6,262**	4,249	2,013	47.4
Total non-interest income	**$ 25,363**	$ 21,447	$ 3,916	18.3%

	Nine Months Ended September 30,		$	%
(Dollars in thousands)	**2005**	2004	Change	Change
Brokerage fees	**$ 15,368**	$ 17,141	$ (1,773)	(10.3)%
Trust and asset management fees	**7,343**	6,518	825	12.6
Total wealth management fees	**22,711**	23,659	(948)	(4.0)
Mortgage banking revenue	**19,855**	12,549	7,306	58.2
Service charges on deposit accounts	**4,451**	2,944	1,507	51.2
Gain on sales of premium finance receivables	**4,985**	5,365	(380)	(7.1)

Administrative services revenue	**3,307**	2,927	380	13.0
Net available-for-sale securities gains	**1,067**	1,731	(664)	(38.4)
Other:				
Fees from covered call and put options	**9,375**	7,285	2,090	28.7
Bank Owned Life Insurance	**1,850**	1,542	308	19.9
Miscellaneous	**4,359**	3,626	733	20.2
Total other	**15,584**	12,453	3,131	25.1
Total non-interest income	**$ 71,960**	$ 61,628	$ 10,332	16.8%

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Wealth management fees are comprised of the trust and asset management revenues generated by Wayne Hummer Trust Company and the asset management fees, brokerage commissions, trading commissions and insurance product commissions at the Wayne Hummer Companies. Wealth management fees totaled $7.0 million in the third quarter of 2005, a $213,000, or 3%, decrease from the $7.2 million recorded in the third quarter of 2004. For the nine months ended September 30, 2005, wealth management fees decreased $948,000, or 4%, compared to the same period last year. As noted in the above tables, in both the quarterly and year-to-date periods, the decrease in total wealth management fees is a result of decreases in retail brokerage revenue offset by increases in trust and asset management fees. Brokerage fees are impacted by trading volumes and trust and asset management fees are affected by the valuations of the equity securities under management. Revenue from retail brokerage trading in the debt and equity markets in the third quarter 2005, declined $530,000 when compared to the third quarter of 2004 and $939,000 compared to the second quarter of 2005. The conversion to an out-sourced securities clearing platform in the third quarter of 2005 temporarily impacted the operations of Wayne Hummer Investments. The impact was felt before, during and after the conversion period through lower trading volumes, restricted levels of new customer acquisitions and restricted efforts to recruit new brokers. The Company anticipates recognizing the revenue enhancement capabilities and cost saving opportunities of this new platform in future periods. Wintrust s strategy is to grow the wealth management business in order to better service its customers and create a more diversified revenue stream. Total assets under management and/or administration by WHTC and WHAMC were $1.7 billion at September 30, 2005 and $1.6 billion at September 30, 2004.

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 the capitalizing servicing rights on loans sold and serviced by certain Wintrust subsidiary banks, the impact of amortizing and valuing the capitalized servicing right asset and the impact of valuing mortgage banking derivatives as required by SFAS 133. For the quarter ended September 30, 2005, mortgage banking revenue totaled $7.8 million, an increase of $2.5 million, or 47% when compared to the same quarter of 2004. Mortgage banking revenue increased $7.3 million, or 58%, in the first nine months of 2005 compared to the same period of 2004. The acquisitions of WestAmerica and Guardian were the primary contributors to the increase in mortgage banking revenue in the quarterly and year-to-date periods. Mortgage banking revenue is a continuous source of revenue for the Company; however, it is significantly impacted by mortgage interest rates.

Service charges on deposit accounts totaled $1.5 million for the third quarter of 2005, an increase of $520,000, or 52%, compared to the same quarter of 2004. On a year-to-date basis, service charges on deposit accounts totaled $4.5 million, an increase of 51% compared to the same period of 2004. The increases in the quarterly and year-to-date periods were primarily due to the impact of the four bank acquisitions in 2004 and 2005. The majority of deposit service charges relates to customary fees on overdrawn accounts and returned items. The level of service charges received is substantially below peer group levels, as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

Gain on sales of premium finance receivables results from the Company s sales of premium finance receivables to an unrelated third party. The majority of the receivables originated by FIFC are purchased by the Banks to more fully utilize their lending capacity. However, the company has been selling premium finance receivables to an unrelated third party, with servicing retained, since 1999. Having a program in place to sell premium finance receivables to a third party allows the Company to execute its strategy to be asset-driven while providing the benefits of additional sources of liquidity and revenue.

In the third quarter of 2005, the Company sold $137 million of premium finance receivables to a third party and recognized gains of $1.6 million related to this activity, compared with $1.8 million of recognized gains in the third quarter of 2004 on sales of $120 million. On a year-to-date basis, the Company recognized gains of $5.0 million in 2005 on sales of $422 million, compared to $5.4 million in 2004 on sales of $346 million of receivables. Recognized gains related to this activity are significantly influenced by the spread between the net yield on the loans sold and the rate passed on to the purchaser. The net yield on the loans sold and the rate passed on to the purchaser typically do not react in a parallel fashion, therefore causing the spreads to vary from period to period. This spread ranged from 2.91%

to 3.74% in the first nine months of 2005, compared to a range of 4.70% to 4.84% in the first nine months of 2004. The spreads narrowed as yields on the premium finance receivables have not risen commensurately with increases in short term rates. The lower amount of gain recognized in the third quarter of 2005 compared to the prior year quarter, was primarily due to the lower

interest rate spreads on the loans sold. The Company continues to maintain an interest in the loans sold and establishes a servicing asset, interest only strip and a recourse obligation upon each sale. Recognized gains, recorded in accordance with SFAS 140, as well as the Company s retained interests in these loans are based on the Company s projection of cash flows that will be generated from the loans. The cash flow model incorporates the amounts contractually due from customers, including an estimate of late fees, the amounts due to the purchaser of the loans, commissions paid to agents as well as estimates of the terms 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 adjustments to the recourse obligation. The Company typically makes a clean up call by repurchasing the remaining loans in the pools sold after approximately 10 months from the sale date. Upon repurchase, the loans are recorded in the Company s premium finance receivables portfolio and any remaining balance of the Company s retained interest is recorded as an adjustment to the gain on sale of premium finance receivables. The Company continuously monitors the performance of the loan pools to the projections and adjusts the assumptions in its cash flow model when warranted. In the third quarter of 2005, clean up calls resulted in increased gains (primarily from reversing the remaining balances of the related liability for the Company s recourse obligation related to the loans) of approximately $47,000, compared to $95,000 in the third quarter of 2004. Estimated credit losses were reduced to 0.15% of the estimated average balances for loans sold in the second and third quarters of 2005, compared to an estimate of 0.25% for loans sold in the first nine months of 2004 and the first quarter of 2005. The decrease in estimated credit losses was warranted due to a lower level of non-performing premium finance receivables and a low level of net charge-offs in the overall premium finance receivables portfolio. (See Allowance for Loan Losses section later in this report for more details.) The estimated average terms of the loans was increased during the second quarter of 2005 to approximately 9 months from 8 months. The applicable discount rate used in determining gains related to this activity was unchanged during 2004 and 2005.

At September 30, 2005, premium finance receivables sold and serviced for others for which the Company retains a recourse obligation related to credit losses totaled approximately $265 million. The recourse obligation is estimated in computing the net gain on the sale of the premium finance receivables. At September 30, 2005, the recourse obligation carried in other liabilities was approximately $379,000.

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, in the first nine months of 2005 and 2004 for premium finance receivables sold and serviced for others, totaled $124,000 and $131,000, respectively. At September 30, 2005, non-performing loans related to this sold portfolio were approximately $3.2 million, or 1.22%, of the sold loans. Ultimate losses on premium finance receivables are substantially less than the non-performing loans for the reasons noted in the Non-performing Premium Finance Receivables portion of the Asset Quality section of this report.

Wintrust has a strategy of targeting its average loan-to-deposit ratio in the range of 85-90%. During the third quarter of 2005, the ratio was approximately 83%. In the short-term, the ratio was slightly below the targeted range as deposit growth at recently opened *de novo* branches and acquired banks was very strong and loan originations were slightly slower than expected as the Company chose not to compromise on underwriting standards when competing for loan balances. Consistent with the Company s strategy to be asset-driven and the liquidity benefits of selling a portion of the premium finance receivables originated, it is probable that similar sales of premium finance receivables will occur in the future.

The administrative services revenue contributed by Tricom added $1.2 million to total non-interest income in the third quarter of 2005, an increase of $129,000, or 12%, from the third quarter of 2004. This revenue comprises income from administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients located throughout the United States. Although Tricom s business is expanding, its revenue continues to reflect competitive rate pressures in the industry. Tricom also earns interest and fee income from providing short-term accounts receivable financing to this same client base, which is included in the net interest income category. On a year-to-date basis, administrative service revenue increased $380,000, or 13%.

Fees from covered call option transactions in the third quarter of 2005 and 2004 were $4.0 million and $2.7 million, respectively. On a year-to-date basis the Company recognized fee income of $9.4 million in 2005 and $7.3 million in 2004. During the first nine months of 2005, call option contracts were written against $2.4 billion of underlying

securities compared to $1.2 billion in the first nine months of 2004. The same security may be included in this total more than once to the extent that multiple option contracts were written against it if the initial option contracts were not exercised. The Company routinely enters into these transactions with the goal of enhancing its overall return on its investment portfolio.

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The Company 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. Although the Company has written put option transactions on securities deemed appropriate for the Banks investment portfolios, no put option contracts were written in the first nine months of 2005. These call and put option transactions are designed to increase the total return associated with the investment securities portfolio and do not qualify as hedges pursuant to SFAS 133. There were no outstanding call or put options at September 30, 2005, December 31, 2004 or September 30, 2004.

Bank Owned Life Insurance (BOLI) income totaled $701,000 in the third quarter of 2005 and $520,000 in the same period of 2004. This income represents adjustments to the cash surrender value of BOLI policies. The Company originally purchased $41.1 million of BOLI in 2002 to consolidate existing term life insurance contracts of executive officers and to mitigate the mortality risk associated with death benefits provided for in executives employment contracts. The Company has purchased additional BOLI since then, including $8.9 million of BOLI that was owned by State Bank of The Lakes when Wintrust acquired the bank in January 2005. As of September 30, 2005, the Company s recorded investment in BOLI was $69.7 million. Income attributable to changes in the cash surrender value of the BOLI policies was $1.9 million for the first nine months of 2005 and $1.5 million for the same period of 2004.

Miscellaneous other non-interest income includes service charges and fees and miscellaneous income and totaled $1.6 million in the third quarter of 2005 and $1.1 million in the third quarter of 2004. On a year-to-date basis, miscellaneous other non-interest income totaled $4.4 million in 2005 and $3.6 million in 2004. The increases in the quarterly and year-to-date periods are primarily due to the income generated by the 2004 and 2005 bank acquisitions.

Non-interest Expense

Non-interest expense for the third quarter of 2005 totaled $50.3 million and increased $11.9 million, or 31%, from the third quarter 2004 total of $38.5 million. For the first nine months of 2005, non-interest expense totaled $147.6 million and increased $37.5 million, or 34%, from the $110.1 million reported for the first nine months of 2004. The increases in non-interest expense in the quarterly and year-to-date periods reflect the continued growth and expansion of the Banks with additional branches, the growth in the premium finance business, and the four bank acquisitions completed in 2004 and 2005. Since September 30, 2004, total loans and total deposits have increased 29% and 37%, respectively, requiring higher levels of staffing and resulting in other costs in order to both attract and service a larger customer base. Despite the increases in non-interest expense, the Company s efficiency ratio remained fairly consistent at 63.70% for the first nine months of 2005, compared to 63.74% for the same period of 2004.

The following tables present non-interest expense by category for the periods presented:

	Three Months Ended			
(Dollars in thousands)	**September 30, 2005**	September 30, 2004	$ Change	% Change
Salaries and employee benefits	**$ 29,542**	$ 23,768	$ 5,774	24.3%
Equipment	**2,979**	2,275	704	30.9
Occupancy, net	**4,137**	2,529	1,608	63.5
Data processing	**1,917**	1,257	660	52.4
Advertising and marketing	**1,216**	785	431	54.9
Professional fees	**1,392**	1,289	103	8.0
Amortization of other intangible assets	**884**	194	690	356.8
Other:				
Commissions - 3rd party brokers	**967**	859	108	12.6
Postage	**926**	816	110	13.5
Stationery and supplies	**736**	587	149	25.3
Miscellaneous	**5,630**	4,106	1,524	37.1
Total other	**8,259**	6,368	1,891	29.7

Total non-interest expense	**$ 50,326**	$ 38,465	$ 11,861	30.8%

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(Dollars in thousands)	Nine Months Ended **September 30, 2005**	September 30, 2004	$ Change	% Change
Salaries and employee benefits	**$ 88,186**	$ 66,841	$ 21,345	31.9%
Equipment	**8,706**	6,626	2,080	31.4
Occupancy, net	**11,838**	7,026	4,812	68.4
Data processing	**5,375**	3,909	1,466	37.5
Advertising and marketing	**3,426**	2,376	1,050	44.2
Professional fees	**4,366**	3,432	934	27.2
Amortization of other intangible assets	**2,509**	587	1,922	327.5
Other:				
Commissions - 3rd party brokers	**2,882**	3,092	(210)	(6.8)
Postage	**2,825**	2,164	661	30.5
Stationery and supplies	**2,378**	1,747	631	36.2
Miscellaneous	**15,155**	12,309	2,846	23.1
Total other	**23,240**	19,312	3,928	20.3
Total non-interest expense	**$ 147,646**	$ 110,109	$ 37,537	34.1%

Salaries and employee benefits totaled $29.5 million for the third quarter of 2005, an increase of $5.8 million, or 24%, compared to the prior year s third quarter total of $23.8 million. On a year-to-date basis, salaries and employee benefits totaled $88.2 million, an increase of $21.3 million, or 32%, as compared to the prior year amount. The increases in salaries and benefits were primarily reflects normal increases in base salaries and employee benefits as well as staffing increases resulting from the acquisition of four banks in 2004 and 2005, the acquisition of WestAmerica and Guardian in May 2004 and the continued growth and development of the existing banks and non bank subsidiaries.

Occupancy expense for the third quarter of 2005 was $4.1 million, an increase of $1.6 million, or 64%, compared to the same period of 2004. On a year-to-date basis, occupancy expense totaled $11.8 million, an increase of $4.8 million, or 68%, compared to same period of 2004. Occupancy expense increased as a result of opening four new banking locations during the past twelve months as part of the Company s *de novo* banking strategy and adding 13 new locations as a result of the four bank acquisitions.

The increase in the amortization of other intangible assets in the quarterly and year-to-date periods as presented in the preceding tables relates to the amortization of the values assigned to the deposit base intangibles acquired in connection with the 2004 and 2005 bank acquisitions.

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

The remaining categories of non-interest expense, including equipment expense, data processing, advertising and marketing, professional fees and other, increased in the third quarter of 2005 over the prior year third quarter as well as in the first nine months of 2005 relative to the same period last year. These increases are noted in the preceding tables of non-interest expense. The increases are due primarily to the general growth and expansion of the banking franchise and the recent acquisitions. The percentage increases in each of these categories are in line with the 29% increase in total loans and 37% increase in total deposits over the last twelve months.

Income Taxes

The Company recorded income tax expense of $10.2 million for the three months ended September 30, 2005 versus $7.7 million for the same period of 2004. On a year-to-date basis, income tax expense was $28.6 million in 2005 and $21.7 million in 2004. The effective tax rate was 36.4% and 37.2% in the third quarter of 2005 and 2004, respectively, and 36.4% and 36.8% on a year-to-date basis for 2005 and 2004, respectively.

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Operating Segment Results

As described in Note 8 to the Consolidated Financial Statements, the Company s operations consist of four primary segments: banking, premium finance, Tricom and wealth management. The Company s profitability is primarily dependent on the net interest income, provision for loan losses, non-interest income and operating expenses of its banking segment. The net interest income of the banking segment includes income and related interest costs from portfolio loans that were purchased from the premium finance segment. For purposes of internal segment profitability analysis, management reviews the results of its premium finance segment as if all loans originated and sold to the banking segment were retained within that segment s operations. Similarly, for purposes of analyzing the contribution from the wealth management segment, management allocates a portion of the net interest income earned by the Banking segment on deposits balances of customers of the wealth management segment to the wealth management segment. (See Wealth management deposits discussion in Deposits section of this report for more information on these deposits.)

The banking segment s net interest income for the quarter ended September 30, 2005 totaled $55.3 million as compared to $35.2 million for the same period in 2004, an increase of $20.1 million, or 57%. This increase resulted from average total earning asset growth of $2.1 billion coupled with an increase in the net interest margin of one basis point. The banking segment s non-interest income totaled $15.3 million in 2005, an increase of $4.1, or 36%, when compared to the 2004 total of $11.2 million. The increase in non-interest income is primarily a result of a higher level of mortgage banking revenue and the impact of the recent acquisitions of Town Bank, Northview Bank, State Bank of The Lakes and First Northwest Bank. The banking segment s net income for the quarter ended September 30, 2005 totaled $18.7 million, an increase of $6.5 million, or 54%, as compared to the 2004 total of $12.2 million. On a year-to-date basis, net interest income totaled $155.7 million for the first nine months of 2005, an increase of $55.4 million, or 55%, as compared to the $100.3 million recorded last year. This increase resulted from average total earning asset growth of $1.9 billion coupled with an increase in the net interest margin of three basis points. Non-interest income increased $11.0 million to $39.7 million in the first nine months of 2005. The additional non-interest income added by the acquisitions of WestAmerica and Guardian, Town Bank, Northview Bank, State Bank of The Lakes and First Northwest Bank accounted for the majority of the increase. The banking segment s after-tax profit for the nine months ended September 30, 2005, totaled $51.3 million, an increase of $17.6 million, or 52%, as compared to the prior year total of $33.7 million. The banking segment accounted for the majority of the Company s total asset growth since September 30, 2004, increasing by $2.1 billion.

Net interest income for the premium finance segment totaled $10.3 million for the quarter ended September 30, 2005, a decrease of $1.9 million, or 16%, compared to the $12.2 million in 2004. This segment was negatively impacted by both competitive asset pricing pressures and higher variable funding costs over the last twelve months. The premium finance segment s non-interest income totaled $1.3 million and $1.8 million for the quarters ended September 30, 2005, and 2004, respectively. Non-interest income for this segment primarily reflects the gains from the sale of premium finance receivables to an unrelated third party. Wintrust sold $137 million of premium finance receivables to an unrelated third party financial institution in the third quarter of 2005 and $120 million in the third quarter of 2004. Net after-tax profit of the premium finance segment totaled $5.5 million and $6.3 million for the quarters ended September 30, 2005 and 2004, respectively. On a year-to-date basis, net interest income totaled $31.4 million for the first nine months of 2005, a decrease of $6.5 million, or 17%, as compared to the $37.9 million recorded last year. Non-interest income decreased $380,000 to $5.0 million in the first nine months of 2005 compared to the same period in 2004 as a result of lower margins realized on the sale of premium finance receivables to an unrelated third party, partially offset by larger sales volumes in the first nine months of 2005 ($422 million) than in the first nine months of 2004 ($346 million). The premium finance segment s after-tax profit for the nine months ended September 30, 2005, totaled $17.2 million, a decrease of $2.5 million, or 13%, as compared to the prior year total of $19.7 million.

The Tricom segment data reflects the business associated with short-term accounts receivable financing and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, which Tricom provides to its clients in the temporary staffing industry. The segment s net interest income was $1.1 million in the third quarter of 2005 up approximately $100,000 when compared to the $965,000 reported for the same period in 2004. Continued competitive pricing pressures in the temporary staffing industry have lowered the

margins significantly in the past year. Increasing sales penetration helped offset the effects of the competitive pricing pressures, causing the administrative services revenues in the third quarter of 2005 to increase $129,000 over the third quarter of 2004. The segment s net income was $481,000 in 2005 compared to $390,000 in 2004, reflecting both increases in net interest income and administrative services revenue. On a year-to-date basis, net interest income totaled $3.0 million for the first

nine months of 2005, an increase of $280,000, or 10%, as compared to the $2.7 million recorded in the first nine months of 2004. Non-interest income increased $381,000 to $3.3 million in the first nine months of 2005. The Tricom segment s after-tax profit for the nine months ended September 30, 2005, totaled $1.3 million, an increase of $282,000, or 28%, as compared to $1.0 million in the first nine months of 2004.

The wealth management segment reported net interest income of $204,000 for the third quarter of 2005 compared to $1.2 million in the same quarter of 2004. Net interest income is comprised of the net interest earned on brokerage customer receivables at WHI and an allocation of a portion of the net interest income earned by the Banking segment on non-interest bearing and interest-bearing wealth management customer account balances on deposit at the Banks. In the third quarter of 2005, WHI completed the conversion to an out-sourced securities clearing platform and therefore, at September 30, 2005, no brokerage receivables remain at WHI as they are now receivables of the out-sourced securities clearing firm. The allocated net interest income included in this segment s profitability was $39,000 ($24,000 after tax) in the third quarter of 2005 and $869,000 ($524,000 after tax) in the third quarter of 2004. Rising short-term interest rates, coupled with the flattening of the yield curve, have diminished the portion of the contribution from these funds allocated to the wealth management segment. This segment recorded non-interest income of $8.5 million for 2005 as compared to $8.2 million for 2004, an increase of $251,000 or 3%. The conversion to the out-sourced securities clearing platform, discussed above, temporarily impacted the operations of WHI. The conversion led to lower trading volumes, restricted levels of new customer acquisitions and restricted efforts to recruit new brokers. The Company anticipates recognizing the revenue enhancement capabilities and cost saving opportunities of this new platform in future periods. The wealth management segment s net income totaled a loss of $640,000 for the third quarter of 2005 compared to income of $28,000 for the third quarter of 2004. On a year-to-date basis, net interest income totaled $1.3 million for the first nine months of 2005, a decrease of $2.6 million, or 67%, as compared to the $3.9 million recorded last year. The allocated net interest income included in this segment s profitability was $366,000 ($226,000 after tax) in the first nine months of 2005 and $2.9 million ($1.8 million after tax) in the first nine months of 2004. This decrease was due to the reasons discussed above. Non-interest income of $26.6 million in the first nine months of 2005 remained consistent with the same period in 2004. This segment s after-tax loss for the nine months ended September 30, 2005, totaled $1.3 million compared to the prior year income of $763,000, a decrease of $2.1 million. The bulk of this decrease is attributable to the decline in the allocated net interest income described earlier.

FINANCIAL CONDITION

Total assets were $7.9 billion at September 30, 2005, representing an increase of $2.1 billion, or 36%, over $5.8 billion at September 30, 2004. Approximately $1.1 billion of the increase in total assets in this period is a result of the acquisitions of State Bank of The Lakes and First Northwest Bank in the first quarter of 2005, and Town Bank in 2004. Total assets at September 30, 2005, increased $1.5 billion, or 31% on an annualized basis, since December 31, 2004. Total funding, which includes deposits, all notes and advances, including the Long-term Debt-Trust Preferred Securities, was $7.2 billion at September 30, 2005, representing an increase of $1.9 billion, or 37%, over the September 30, 2004 reported amounts. Total funding at September 30, 2005, increased $1.3 billion, or 30% on an annualized basis, since December 31, 2004. See Notes 3-7 of the Financial Statements presented under Item 1 of this report for additional period-end detail on the Company s interest-earning assets and funding liabilities.

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Interest-Earning Assets

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

	Three Months Ended					
	September 30, 2005		June 30, 2005		September 30, 2004	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Loans:						
Commercial and commercial real estate	**$ 3,040,333**	**43%**	$ 2,890,876	42%	$ 1,902,340	38%
Home equity	**623,477**	**9**	638,139	9	498,359	10
Residential real estate [(1)]	**424,963**	**6**	398,616	6	286,493	6
Premium finance receivables	**855,510**	**12**	808,490	12	850,946	17
Indirect consumer loans	**200,521**	**3**	189,974	3	179,105	4
Tricom finance receivables	**38,694**	**1**	33,726		27,876	1
Other loans	**106,247**	**2**	108,083	2	67,615	1
Total loans, net of unearned income	**$ 5,289,745**	**76%**	$ 5,067,904	74%	$ 3,812,734	77%
Liquidity management assets [(2)]	**1,752,224**	**24**	1,723,855	25	1,084,180	22
Other earning assets [(3)]	**9,894**		31,382	1	39,292	1
Total average earning assets	**$ 7,051,863**	**100%**	$ 6,823,141	100%	$ 4,936,206	100%
Total average assets	**$ 7,779,203**		$ 7,534,724		$ 5,430,749	
Total average earning assets to total average assets		**91%**		91%		91%

(1) Residential real estate loans include mortgage loans held-for-sale.

(2) Liquidity management assets include available-for-sale securities, interest earning deposits with banks, federal funds sold and securities

purchased under resale agreements.

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

Total average earning assets for the third quarter of 2005 increased $2.1 billion, or 43%, to $7.1 billion, compared to the third quarter of 2004. The ratio of total average earnings assets as a percent of total average assets remained consistent at 91% for each of the quarterly periods shown in the above table.

Total average loans during the third quarter of 2005 increased $1.5 billion, or 39%, over the previous year third quarter. Average commercial and commercial real estate loans increased 60%, home equity loans increased 25% and residential real estate loans increased 48% in the third quarter of 2005 compared to the average balances in the third quarter of 2004. Average total loans increased $222 million, or 17% on an annualized basis, over the average balance in the second quarter of 2005.

Liquidity management assets include available-for-sale securities, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements. The balances of these assets can fluctuate based on deposit inflows and outflows, the level of other funding sources and loan demand. At September 30, 2005 and June 30, 2005, approximately $48 million and $523 million, respectively, of available-for-sale securities were called and settled in early October and July 2005, respectively. These securities were classified in the balance sheet as other assets at each period end as they represented amounts due from brokers. Due to the significant amount of securities called in June 2005, the June 2005 period end balance of available-for-sale securities is lower than the average quarterly balance. See Note 3 of this report for a summary of period end balances of available-for-sale securities.

Other earning assets in the table include brokerage customer receivables and trading account securities from the Wayne Hummer Companies. In the normal course of business, WHI activities involve the execution, settlement, and financing of various securities transactions. In the third quarter of 2005 WHI completed the conversion to an out-sourced securities clearing platform and therefore, at September 30, 2005, no brokerage customer receivables remained at WHI as they are now receivables of the out-sourced securities clearing firm. Average balances in customer brokerage receivables decreased $29 million and $21 million as compared to the third quarter of 2004 and second quarter of 2005, respectively.

WHI s customer securities activities are transacted on either a cash or margin basis. In margin transactions, the out-sourced securities firm extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in customer s accounts. In connection with these activities, WHI executes and the

out-sourced firm clears customer transactions relating to the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose 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 a customer fails to satisfy its obligations, WHI under an agreement with the outsourced securities firm, 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 customers to deposit additional collateral or to reduce positions when necessary.

WHI s customer financing and securities settlement activities through the outsourced securities firm 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.

	Average Balances for the Nine Months Ended			
	September 30, 2005		September 30, 2004	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent
Loans:				
Commercial and commercial real estate	**$ 2,863,538**	**42%**	$ 1,826,958	38%
Home equity	**621,320**	**9**	488,139	10
Residential real estate [1]	**390,487**	**6**	265,418	6
Premium finance receivables	**849,852**	**13**	833,672	17
Indirect consumer loans	**193,385**	**3**	178,351	4
Tricom finance receivables	**30,722**		24,590	1
Other loans	**105,924**	**2**	71,404	1
Total loans, net of unearned income	**5,055,228**	**75**	3,688,532	77
Liquidity management assets [2]	**1,660,785**	**25**	1,047,334	22
Other earning assets [3]	**25,043**		38,045	1
Total average earning assets	**$ 6,741,056**	**100%**	$ 4,773,911	100%
Total average assets	**$ 7,437,681**		$ 5,200,458	
Total average earning assets to total average assets		**91%**		92%

(1) Residential real estate loans include mortgage loans held-for-sale.

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

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

Average earning assets for the nine months ended September 30, 2005 increased $2.0 billion, or 41%, over the first nine months of 2004. The ratio of year-to-date total average earning assets as a percent of total average assets remained consistent at 91% 92% for each reporting period shown in the above table. Total average loans increased by $1.4 billion in the first nine months of 2005 compared to the same period of 2004. Average commercial and commercial real estate loans increased 57%, home equity loans increased 27% and residential real estate loans increased 47% in the first nine months of 2005 compared to the first nine months of 2004.

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Deposits

Total deposits at September 30, 2005, were $6.5 billion and increased $1.7 billion, or 37%, compared to total deposits at September 30, 2004. See Note 5 of this report for a summary of period end deposit balances.

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

	Three Months Ended					
	September 30, 2005		June 30, 2005		September 30, 2004	
(Dollars in thousands)	**Balance**	**Percent**	Balance	Percent	Balance	Percent
Non-interest bearing	**$ 617,547**	**10%**	$ 597,953	10%	$ 432,695	10%
NOW accounts	**720,538**	**11**	717,873	12	501,137	11
Wealth management deposits	**413,144**	**6**	403,326	6	351,572	8
Money market accounts	**680,414**	**11**	663,005	11	487,339	11
Savings accounts	**307,577**	**5**	304,082	5	181,583	4
Time certificates of deposit	**3,611,648**	**57**	3,434,929	56	2,430,479	56
Total average deposits	**$ 6,350,868**	**100%**	$ 6,121,168	100%	$ 4,384,805	100%

Total average deposits for the third quarter of 2005 were $6.4 billion, an increase of $2.0 billion, or 45%, over the third quarter of 2004 and an increase of $230 million, or 15% on an annualized basis, over the second quarter of 2005. During the first nine months of 2005, Wintrust acquired State Bank of The Lakes, with an effective acquisition date of January 1, 2005, with total deposits of $367 million and First Northwest Bank, on March 31, 2005, with total deposits of $222 million. The composition of the deposit base remained relatively consistent for the periods indicated.

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

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Other Funding Sources

Although deposits are the Company s primary source of funding its interest-earning assets, the Company s ability to manage the types and terms of deposits is somewhat limited by customer preferences and market competition. As a result, the Company uses several other funding sources to support its interest-earning asset growth. These sources include short-term borrowings, notes payable, Federal Home Loan Bank advances, subordinated notes, trust preferred securities, the issuance of equity securities and the retention of earnings.

Average total interest-bearing funding, from sources other than deposits and including the long-term debt trust preferred securities, totaled $742 million in the third quarter of 2005, an increase of $211 million compared to the third quarter of 2004 average balance of $531 million, and a decrease of $23 million compared to the second quarter 2005 average balance of $766 million.

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

	Three Months Ended		
(Dollars in thousands)	**September 30, 2005**	June 30, 2005	September 30, 2004
Notes payable	**$ 2,924**	$ 6,985	$ 1,000
Federal Home Loan Bank advances	**346,057**	341,361	244,017
Other borrowings:			
Federal funds purchased	**26,322**	5,239	24,644
Securities sold under repurchase agreements	**87,571**	149,670	52,961
Wayne Hummer Companies borrowings			16,534
Other	**2,769**	3,120	2,422
Total other borrowings	**116,662**	158,029	96,561
Subordinated notes	**50,000**	50,000	50,000
Long-term debt trust preferred securities	**226,697**	209,443	139,838
Total other funding sources	**$ 742,340**	$ 765,818	$ 531,416

Notes payable represents the average amount outstanding on the Company s $51.0 million revolving loan agreement with an unaffiliated bank. In the first quarter of 2005, the Company used this borrowing facility as a temporary source of funds for the cash consideration paid in connection with the acquisitions of Antioch and FNBI. The balance of notes payable as of September 30, 2005, was $1.0 million.

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

In August 2005, the Company issued $40.0 million of trust preferred securities through Wintrust Capital Trust VIII and redeemed $20.0 million of trust preferred securities previously issued through Wintrust Capital Trust II, resulting in an increase in average long-term debt trust preferred securities in the third quarter of 2005 as compared to the second quarter of 2005.

See Notes 6 and 7 of the Financial Statements presented under Item 1 of this report for details of period end balances of these various funding sources.

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

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Shareholders Equity

Total shareholders equity was $613.8 million at September 30, 2005 and increased $183.6 million since September 30, 2004 and $139.8 million since the end of 2004. Significant increases from December 31, 2004, include the retention of $44.6 million of earnings (net income of $50.0 million less dividends of $5.4 million), $55.9 million from the issuance of 1.0 million shares of common stock in partial settlement of the forward sale agreement the Company entered into in December 2004, $30.0 million from the issuance of the Company s common stock in connection with business combinations and $9.3 million from the issuance of shares of the Company s common stock pursuant to various stock compensation plans. Increases in unrealized net losses from available-for-sale securities and certain derivative instruments, net of tax, decreased shareholder s equity $766,000 from December 31, 2004.

The annualized return on average equity for the three months ended September 30, 2005 was 11.83%, compared to 13.56% for the third quarter of 2004.

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

	September 30, 2005	June 30, 2005	September 30, 2004
Leverage ratio	**8.2%**	8.1%	9.0%
Tier 1 capital to risk-weighted assets	**10.0**	9.9	9.9
Total capital to risk-weighted assets	**11.9**	11.4	11.6
Total average equity-to-total average assets *	**7.7**	7.7	7.1

* *based on quarterly average balances*

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

The Company attempts to maintain an efficient capital structure in order to provide higher returns on equity. Additional capital is required from time to time, however, to support the growth of the organization. The issuance of additional common stock, additional trust preferred securities or subordinated debt are the primary forms of capital that are considered as the Company evaluates its capital position. The Company s goal is to support the continued growth of the Company and to meet the well-capitalized total capital to risk-weighted assets ratio with these new issuances of regulatory capital. As indicated in Note 7 to the Financial Statements presented under Item 1 of this report, in August 2005, the Company issued $40.0 million of additional trust preferred securities with a hedge-adjusted fixed rate of 5.27% and redeemed $20.0 million of 10.50% fixed rate trust preferred securities. In addition, on October 25, 2005, the Company signed a $25.0 million subordinated note agreement. See Note 6 for further information on the terms of this note.

In January and July 2005, Wintrust declared semi-annual cash dividends of $0.12 per common share. In January 2004 and July 2004, the Company declared semi-annual cash dividends of $0.10 per common share. The dividend payout ratio (annualized) was 8.7% for the first nine months of 2005 and 8.8% for the first nine months of 2004. The Company continues to target an earnings retention ratio of approximately 90% to support continued growth.

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

SEC on October 2004. In connection with the public offering the Company entered into a forward sale agreement relating to 1.2 million shares of its common stock. 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. The Company s objective with the use of the forward sale agreement was to efficiently provide funding for the acquisitions of Antioch and FNBI and for general corporate purposes. The Company issued 1.0 million shares of common stock in March 2005 in partial settlement of the forward sale agreement and received net proceeds of approximately $55.9 million. The Company still has 200,000 shares of common stock available for issuance under the forward sale agreement.

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ASSET QUALITY
Allowance for Loan Losses
The following table presents a summary of the activity in the allowance for loan losses for the periods presented:

(Dollars in thousands)	Three Months Ended **September 30, 2005**	Three Months Ended September 30, 2004	Nine Months Ended **September 30, 2005**	Nine Months Ended September 30, 2004
Balance at beginning of period	**$ 39,722**	$ 28,091	**$ 34,227**	$ 25,541
Provision for loan losses	**3,077**	1,258	**5,602**	5,020
Allowance acquired in business combinations		2,534	**4,793**	2,534
Charge-offs:				
Commercial and commercial real estate loans	**1,397**	163	**2,614**	1,409
Home equity loans	**88**		**88**	
Residential real estate loans	**98**		**142**	
Consumer and other loans	**101**	10	**240**	184
Premium finance receivables	**745**	434	**1,604**	1,295
Indirect consumer loans	**131**	113	**365**	307
Tricom finance receivables		1		11
Total charge-offs	**2,560**	721	**5,053**	3,206
Recoveries:				
Commercial and commercial real estate loans	**166**	23	**409**	888
Home equity loans				6
Residential real estate loans				
Consumer and other loans	**18**	14	**33**	92
Premium finance receivables	**177**	154	**489**	411
Indirect consumer loans	**33**	55	**133**	122
Tricom finance receivables				
Total recoveries	**394**	246	**1,064**	1,519
Net charge-offs	**(2,166)**	(475)	**(3,989)**	(1,687)
Balance at September 30	**$ 40,633**	$ 31,408	**$ 40,633**	$ 31,408
Annualized net charge-offs as a percentage of average:	**0.16%**	0.03%	**0.10%**	0.04%

Commercial and commercial real estate loans				
Home equity loans	**0.06**		**0.02**	
Residential real estate loans	**0.09**		**0.05**	
Consumer and other loans	**0.31**	(0.02)	**0.26**	0.17
Premium finance receivables	**0.26**	0.13	**0.18**	0.14
Indirect consumer loans	**0.19**	0.13	**0.16**	0.14
Tricom finance receivables		0.01		0.06
Total loans, net of unearned income	**0.16%**	0.05%	**0.11%**	0.06%
Net charge-offs as a percentage of the provision for loan losses	**70.39%**	37.76%	**71.21%**	33.61%
Total loans at September 30			**$5,149,795**	$4,000,175
Allowance as a percentage of loans at September 30			**0.79%**	0.79%

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Management believes that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. Loan quality is continually monitored by management and is reviewed by the Banks Boards of Directors and their Credit Committees on a monthly basis. Independent external reviews of the loan portfolio are provided by the examinations conducted by regulatory authorities and an independent loan review performed by an entity engaged by the Board of Directors. The amount of additions to the allowance for loan losses, which is charged to earnings through the provision of loan losses, is determined based on management s assessment of the adequacy of the allowance for loan losses. Management evaluates on a quarterly basis a variety of factors, including actual charge-offs during the year, historical loss experience, delinquent and other potential problem loans, and economic conditions and trends in the market area in assessing the adequacy of the allowance for loan losses.

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

The provision for loan losses totaled $3.1 million for the third quarter of 2005, compared to $1.3 million for the third quarter of 2004. For the quarter ended September 30, 2005 net charge-offs totaled $2.2 million, compared to $475,000 for the same period of 2004. On a ratio basis, annualized net charge-offs as a percentage of average loans were 0.16% in the third quarter of 2005 and 0.05% in the same period in 2004. The increase in the provision for loan losses in the third quarter of 2005, compared to the same period of 2004, is in line with the increases in net charge-offs.

On a year-to-date basis, the provision for loan losses totaled $5.6 million for the first nine months of 2005, compared to $5.0 million for the first nine months of 2004. Net charge-offs for the first nine months of 2005 totaled $4.0 million, compared to $1.7 million for the first nine months of 2004. On a ratio basis, annualized net charge-offs as a percentage of average loans were 0.11% for the first nine months of 2005 and 0.06% in the same period in 2004.

On a year-to-date basis, the allowance for loan losses also increased $4.8 million as a result of the acquisitions of State Bank of The Lakes and First Northwest Bank in the first quarter of 2005. The allowance for loan losses as a percentage of total loans was 0.79% at September 30, 2005, December 31, 2004, and September 30, 2004. The commercial and commercial real estate portfolios and the premium finance portfolio have traditionally experienced the highest levels of charge-offs by the Company, along with losses related to the indirect automobile portfolio.

Past Due Loans and Non-performing Assets

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

(Dollars in thousands)	**September 30, 2005**	June 30, 2005	December 31, 2004	September 30, 2004
Loans past due greater than 90 days and still accruing:				
Residential real estate and home equity	**$ 1,120**	$ 315	$	$ 166
Commercial, consumer and other	**1,338**	1,381	715	128
Premium finance receivables	**4,060**	3,282	3,869	2,971
Indirect consumer loans	**278**	258	280	312
Tricom finance receivables				
Total past due greater than 90 days and still accruing	**6,796**	5,236	4,864	3,577
Non-accrual loans:				
Residential real estate and home equity	**708**	843	2,660	892
Commercial, consumer and other	**12,178**	9,599	3,550	5,954
Premium finance receivables	**4,949**	6,088	7,396	7,281
Indirect consumer loans	**404**	145	118	145
Tricom finance receivables				
Total non-accrual	**18,239**	16,675	13,724	14,272
Total non-performing loans:				
Residential real estate and home equity	**1,828**	1,158	2,660	1,058
Commercial, consumer and other	**13,516**	10,980	4,265	6,082
Premium finance receivables	**9,009**	9,370	11,265	10,252
Indirect consumer loans	**682**	403	398	457
Tricom finance receivables				
Total non-performing loans	**25,035**	21,911	18,588	17,849
Other real estate owned	**1,600**			1,622
Total non-performing assets	**$26,635**	$21,911	$18,588	$19,471
Total non-performing loans by category as a percent of its own respective category:				
Residential real estate and home equity	**0.20%**	0.13%	0.32%	0.14%
Commercial, consumer and other	**0.42**	0.36	0.17	0.27
Premium finance receivables	**1.13**	1.18	1.46	1.34

Indirect consumer loans	**0.34**	0.21	0.23	0.26
Tricom finance receivables				
Total non-performing loans	**0.49%**	0.44%	0.43%	0.45%
Total non-performing assets as a percentage of total assets	**0.34%**	0.28%	0.29%	0.33%
Allowance for loan losses as a percentage of non-performing loans	**162.30%**	181.28%	184.13%	175.97%

Non-performing Residential Real Estate and Home Equity

The non-performing residential real estate and home equity loans totaled $1.8 million at September 30, 2005. The balance increased $770,000 from September 30, 2004, and $670,000 from June 30, 2005. Each non-performing credit is well secured and in the process of collection. Management believes that the current reserves against these credits are appropriate to cover any potential losses.

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Non-performing Commercial, Consumer and Other

The commercial, consumer and other non-performing loan category totaled $13.5 million as of September 30, 2005. The balance in this category increased $7.4 million from September 30, 2004, and $2.5 million from June 30, 2005. Management believes that the current reserves against these credits are appropriate to cover any potential losses on any of the relatively small number of credits in this category.

Non-performing Premium Finance Receivables

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

(Dollars in thousands)	**September 30, 2005**	June 30, 2005	September 30, 2004
Non-performing premium finance receivables	$**9,009**	$9,370	$10,252
- as a percent of premium finance receivables outstanding	**1.13%**	1.18%	1.34%
Net charge-offs of premium finance receivables	$ **568**	$ 244	$ 280
- annualized as a percent of average premium finance receivables	**0.26%**	0.12%	0.13%

The level of non-performing premium finance receivables as a percent of total premium finance receivables improved from the levels reported at September 30, 2004 and June 30, 2005. As noted below, fluctuations in this category may occur due to timing and nature of account collections from insurance carriers. Management is comfortable with administering the collections at this level of non-performing premium finance receivables and expects that such ratios will remain at relatively low levels.

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

Non-performing Indirect Consumer Loans

Total non-performing indirect consumer loans were $682,000 at September 30, 2005, compared to $457,000 at September 30, 2004 and $403,000 at June 30, 2005. The ratio of these non-performing loans to total indirect consumer loans was 0.34% at September 30, 2005, compared to 0.26% at September 30, 2004 and 0.21% at June 30, 2005. As noted in the Allowance for Loan Losses table, net charge-offs (annualized) as a percent of total indirect consumer loans were 0.19% for the quarter ended September 30, 2005 compared to 0.13% for the quarter ended September 30, 2004. The levels of non-performing and net charge-offs of indirect consumer loans continue to be below standard industry ratios for this type of lending.

Credit Quality Review Procedures

The Company utilizes a loan rating system to assign risk to loans and utilizes that risk rating system to assist in developing an internal problem loan identification system (Watch List). The Watch List is used to monitor the credits as well as a means of reporting non-performing and potential problem loans. At each scheduled meeting of the Boards of Directors of the Banks and the Wintrust Board, a Watch List is presented, showing all loans that are non-performing and loans that may warrant additional monitoring. Accordingly, in addition to those loans disclosed under Past Due Loans and Non-performing Assets, there are certain loans in the portfolio which management has

identified, through its Watch List, which exhibit a higher than normal credit risk. These credits are reviewed individually by management to determine whether any specific reserve amount should be allocated for each respective credit. However, these loans are still performing and, accordingly, are not included in non-performing loans. Management s philosophy is to be proactive and conservative in assigning risk ratings to loans and identifying loans to be included on the Watch List. The principal amount of loans on the Company s Watch List (exclusive of those loans reported as non-performing) as of September 30, 2005, December 31, 2004, and September 30, 2004 totaled $72.5 million, $62.6 million and $46.9 million, respectively. Management believes these loans are performing and, accordingly, does not have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms.

LIQUIDITY

Wintrust manages the liquidity position of its banking operations to ensure that sufficient funds are available to meet customers needs for loans and deposit withdrawals. The liquidity to meet the demand is provided by maturing assets, sales of premium finance receivables, liquid assets that can be converted to cash, and the ability to attract funds from external sources. Liquid assets refer to federal funds sold and to marketable, unpledged securities, which can be quickly sold without material loss of principal.

Please refer to the Interest-Earning Assets, Deposits, Other Funding Sources and Shareholders Equity discussions of this report for additional information regarding the Company s liquidity position.

INFLATION

A banking organization s assets and liabilities are primarily monetary. Changes in the rate of inflation do not have as great an impact on the financial condition of a bank as do changes in interest rates. Moreover, interest rates do not necessarily change at the same percentage as does inflation. Accordingly, changes in inflation are not expected to have a material impact on the Company. An analysis of the Company s asset and liability structure provides the best indication of how the organization is positioned to respond to changing interest rates. See Quantitative and Qualitative Disclosure About Market Risks section of this report.

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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., Antioch Holding Company, First Northwest Bancorp, Inc., and each of their subsidiaries with the Company.

ITEM 3
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

Interest rate risk arises when the maturity or 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 changes in net interest income in future years as a result of changes in interest rates by performing simulation analysis of various interest rate environments. If a potential adverse change in net interest margin and/or net income is identified, management would take appropriate actions with its asset-liability structure to mitigate these potentially adverse situations. Please refer to 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 Banks operate. The rates, terms and interest rate indices of the Company s interest earning assets result primarily from the Company s strategy of investing in loans and securities that permit the Company to limit its exposure to interest rate risk, together with credit risk, while at the same time achieving an acceptable interest rate spread.

The Company s exposure to interest rate risk is reviewed on a regular basis by management and the Risk Management Committees of the Boards of Directors of the Banks and the Company. The objective 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 contractual rates 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 September 30, 2005:

(Dollars in thousands)	Time to Maturity or Repricing 0-90 Days	91-365 Days	1-5 Years	Over 5 Years	Total
Assets:					
Federal funds sold and securities purchased under resale agreements	$ 62,186				62,186
Interest-bearing deposits with banks	6,459				6,459
Available-for-sale securities	234,608	288,981	622,810	620,214	1,766,613
Total liquidity management assets	303,253	288,981	622,810	620,214	1,835,258
Loans, net of unearned income (1)	3,403,261	822,115	893,675	156,328	5,275,379
Other earning assets	51,489				51,489
Total earning assets	3,758,003	1,111,096	1,516,485	776,542	7,162,126
Other non-earning assets				731,377	731,377
Total assets (RSA)	$3,758,003	1,111,096	1,516,485	1,507,919	7,893,503
Liabilities and Shareholders Equity:					
Interest-bearing deposits (2)	$2,782,172	1,917,884	1,105,109	50,478	5,855,643
Federal Home Loan Bank advances	3,276	28,200	147,745	164,134	343,355
Notes payable and other borrowings	79,912				79,912
Subordinated notes	50,000				50,000
Long-term Debt Trust Preferred Securities	192,147		6,342	31,741	230,230
Total interest-bearing liabilities	3,107,507	1,946,084	1,259,196	246,353	6,559,140
Demand deposits				631,460	631,460
Other liabilities				89,142	89,142
Shareholders equity				613,761	613,761
Effect of derivative financial instruments:					
Interest rate swaps (Company pays fixed, receives floating)	(200,000)		10,000	190,000	
Interest rate swap (Company pays floating, receives fixed)	31,050			(31,050)	

Total liabilities and shareholders equity including effect of derivative financial instruments (RSL)	$2,938,557	1,946,084	1,269,196	1,739,666	7,893,503
Repricing gap (RSA RSL)	$ 819,446	(834,988)	247,289	(231,747)	
Cumulative repricing gap	$ 819,446	(15,542)	231,747		
Cumulative RSA/Cumulative RSL	128%	100%	104%		
Cumulative RSA/Total assets	48%	62%	81%		
Cumulative RSL/Total assets	37%	62%	78%		
Cumulative GAP/Total assets	10%	%	3%		
Cumulative GAP/Cumulative RSA	22%	%	4%		

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

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

While the gap position and related ratios illustrated in the table are useful tools that management can use to assess the general positioning of the Company s and its subsidiaries balance sheets, it is only as of a point in time. The gap position at September 30, 2005, reflects a less asset-sensitive balance sheet than the June 30, 2005 gap position indicated. This is due in large part to approximately $818 million of securities that were called away at June 30, 2005, but which did not settle until the last day of the quarter or early in July, resulting in the proceeds from those securities not being reinvested as of June 30, 2005. Similarly, as of September 30, 2005, approximately $49 million of securities were called away but did not settle until early in October, resulting in the proceeds from these securities not being reinvested as of September 30, 2005. The proceeds from these securities are included in cash, federal funds sold and other assets as of quarter-end. As a result of the static position and inherent limitations of gap analysis, 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 several 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 September 30, 2005, December 31, 2004 and September 30, 2004, is as follows:

	+ 200 Basis Points	- 200 Basis Points
Percentage change in net interest income due to an instantaneous 200 basis point permanent paralllel shift in the yield curve:		
September 30, 2005	**3.8%**	**(9.2)%**
December 31, 2004	7.4%	(10.3)%
September 30, 2004	13.9%	(17.1)%

Due to the low rate environment at December 31, 2004 and September 30, 2004, the 200 basis point instantaneous permanent downward parallel shift in the yield curve impacted a majority of the rate sensitive assets by the entire 200 basis points, while certain interest-bearing deposits were already at their floor, or repriced downward significantly less than 200 basis points.

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

One method utilized by financial institutions to manage interest rate risk is to enter into derivative financial instruments. A derivative financial instrument includes interest rate swaps, interest rate caps and floors, futures, forwards, option contracts and other financial instruments with similar characteristics. During the first and third quarters of 2005, the Company entered into interest rate swap agreements with an aggregate notional amount of $135 million and $40 million, respectively, that effectively converted $175 million of the Debentures related to the long-term debt trust preferred securities from variable-rates to fixed rates ranging from 5.27% to 6.71%. As of September 30, 2005, the Company had $231 million of interest rate swaps outstanding. Each interest rate swap that hedges Debentures related to the Company s long-term debt trust-preferred securities provides the counterparty with a call option that mirrors the call options in the underlying securities. All of the Company s interest rate swap contracts qualify as perfect hedges pursuant to SFAS 133. See Note 9 of the financial statements presented under Item 1 for further information on the Company s derivative financial instruments.

During the first nine months of 2005, the Company also entered into certain covered call option transactions related to certain securities held by the Company. The Company uses the covered call option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to mitigate the effects of net interest margin compression and increase the total return associated with the related securities. Although the revenue received from the covered call options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these covered call options contributes to the Company s overall profitability. The Company s exposure to interest rate risk may be impacted by these transactions as the call options may expire without being exercised, and the Company would continue to own the underlying fixed rate securities. To mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no covered call options outstanding as of September 30, 2005.

ITEM 4
CONTROLS AND PROCEDURES

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

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

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PART II Other Information

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

The Company s Board of Directors approved the repurchase of up to an aggregate of 450,000 shares of its common stock pursuant to the repurchase agreement that was publicly announced on January 27, 2000 (the Program). Unless terminated earlier by the Company s Board of Directors, the Program will expire when the Company has repurchased all shares authorized for repurchase thereunder. No shares were repurchased in the third quarter of 2005. As of September 30, 2005, 85,950 shares may yet be repurchased under the Program.

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

(a) A Special Meeting of Shareholders was held on July 28, 2005, and the following matter was submitted to a vote of the shareholders:

1. A proposal to amend Wintrust Financial Corporation s Amended and Restated Articles of Incorporation to increase the number of authorized shares of common stock from 30 million to 60 million

Votes For	Votes Against	Abstentions	Broker Non-Votes
19,173,750	1,640,210	27,092	

This proposal received the requisite approval by two-thirds of the Company s outstanding shares and passed.

Item 6: Exhibits.

(a) Exhibits

3.1 Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.1 of the Company s Form 10-Q for the quarter ended June 30, 2005).

3.2 Articles of Amendment of Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.2 of the Company s Form 10-Q for the quarter ended June 30, 2005).

3.3 Statement of Resolution Establishing Series of Junior Serial Preferred Stock A of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.2 of the Company s Form 10-K for the year ended December 31, 1998).

3.4 Amended and Restated By-laws of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.3 of the Company s Form 10-Q for the quarter ended March 31, 2003).

4.1 Certain instruments defining the rights of holders of long-term debt of the Company and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Company and its subsidiaries on a consolidated basis, have not been filed as Exhibits. The Company hereby agrees to furnish a copy of any of these agreements to the Commission upon request.

10.1 Junior Subordinated Indenture dated as of August 2, 2005, between Wintrust Financial Corporation and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).

10.2 Amended and Restated Trust Agreement, dated as of August 2, 2005, among Wintrust Financial Corporation, as depositor, Wilmington Trust Company, as property trustee and Delaware trustee, and the Administrative Trustees listed therein (incorporated by reference to Exhibit 10.2 of the Company s Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).

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10.3 Guarantee Agreement, dated as of August 2, 2005, between Wintrust Financial Corporation, as Guarantor, and Wilmington Trust Company, as trustee (incorporated by reference to Exhibit 10.3 of the Company s Form 8-K filed with the Securities and Exchange Commission on August 4, 2005).

10.4 Amendment and Allonge made as of June 7, 2005 to that certain $25 million Subordinated Note dated October 29, 2002 executed by Wintrust Financial Corporation in favor of LaSalle Bank National Association (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed with the Securities and Exchange Commission on August 5, 2005).

10.5 Amendment and Allonge made as of June 7, 2005 to that certain $25 million Subordinated Note dated April 30, 2003 executed by Wintrust Financial Corporation in favor of LaSalle Bank National Association (incorporated by reference to Exhibit 10.2 of the Company s Form 8-K filed with the Securities and Exchange Commission on August 5, 2005).

10.6 Third Amendment to Second Amended and Restated Loan Agreement between Wintrust Financial Corporation and LaSalle Bank, National Association, dated May 29, 2005, executed August 26, 2005.

10.7 Fourth Amendment to Second Amended and Restated Loan Agreement between Wintrust Financial Corporation and LaSalle Bank, National Association, dated July 20, 2005, executed August 26, 2005.

10.8 Amended and Restated $1.0 million Note between Wintrust Financial Corporation and LaSalle Bank, National Association, dated as of May 29, 2005, executed August 26, 2005.

10.9 $50.0 million Revolving Note between Wintrust Financial Corporation and LaSalle Bank, National Association, dated as of July 20, 2005, executed August 26, 2005.

10.10 Amended and Restated Pledge and Security Agreement dated as of May 29, 2005, executed August 26, 2005, between Wintrust Financial Corporation and LaSalle Bank, National Association.

10.11 Amended and Restated Collateral Safekeeping Agreement dated as of May 29, 2005, executed August 26, 2005, among Wintrust Financial Corporation, LaSalle Bank, National Association and Standard Federal Bank, N.A.

10.12 $25.0 million Subordinated Note between Wintrust Financial Corporation and LaSalle Bank, National Association, dated October 25, 2005 (incorporated by reference to Exhibit 10.1 of the Company s Form 8-K filed with the Securities and Exchange Commission on October 28, 2005).

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of President and Chief Executive Officer and Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WINTRUST FINANCIAL CORPORATION
(Registrant)

Date: November 9. 2005	/s/ DAVID L. STOEHR
	David L. Stoehr Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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