

WINTRUST FINANCIAL CORP

FORM 10-K (Annual Report)

Filed 3/28/1997 For Period Ending 12/31/1996

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Industry	Regional Banks
Sector	Financial
Fiscal Year	12/31

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

FORM 10-K

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the fiscal year ended December 31, 1996

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

0-21923

Commission File Number

ILLINOIS

(State of incorporation of organization)

36-3873352

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

**727 NORTH BANK LANE
LAKE FOREST, ILLINOIS 60045**
(Address of principal executive offices)

(847) 615-4096

Registrant's telephone number, including area code:

COMMON STOCK, NO PAR VALUE
Securities registered pursuant to Section 12(g) of the Act

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant was approximately \$101,858,000 as of March 21, 1997. As of March 21, 1997, the registrant had outstanding 7,997,359 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Shareholder's Report for the year ended December 31, 1996 are incorporated by reference into Parts I and II hereof and portions of the Proxy Statement for the Company's Annual Meeting of Shareholders to be held on May 22, 1997 are incorporated by reference into Part III.

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PART I.

ITEM 1. BUSINESS

Wintrust Financial Corporation, an Illinois Corporation (the "Company"), is a financial services holding company headquartered in Lake Forest, Illinois, with total assets of approximately \$700 million at December 31, 1996. The Company engages in community banking and specialty finance through its operating subsidiaries: North Shore Community Bank and Trust Company ("North Shore Bank"); Lake Forest Bank and Trust Company ("Lake Forest Bank"); Hinsdale Bank and Trust Company ("Hinsdale Bank"); Libertyville Bank and Trust Company ("Libertyville Bank"); Barrington Bank and Trust Company, N.A. ("Barrington Bank"); and First Premium Services, Inc. ("First Premium").

Through its banking subsidiaries, Lake Forest Bank, Hinsdale Bank, North Shore Bank, Libertyville Bank and Barrington Bank (collectively, the "Banks"), the Company provides community-oriented, personal and commercial banking services in affluent suburbs of Chicago, Illinois. Through First Premium, the Company is in the business of originating commercial insurance premium finance loans on a national basis, a portion of which are purchased by the Banks.

Effective September 1, 1996, pursuant to the terms of a reorganization agreement dated as of May 28, 1996, which was approved by shareholders of all of the parties, the Company completed a reorganization transaction to combine the separate activities of the holding companies of each of the Company's operating subsidiaries (other than Barrington Bank which was opened in December 1996). As a result of the transaction, the Company (formerly known as North Shore Community Bancorp, Inc., the name of which was changed to Wintrust Financial Corporation in connection with the reorganization) became the parent holding company of each of the separate businesses, and the shareholders and warrant holders of each of the separate holding companies exchanged their shares for Common Stock and their warrants for a combination of shares of Common Stock and Warrants of the Company (the "Reorganization"). The Reorganization was accounted for as a pooling-of-interests transaction and, accordingly, the Company's financial statements have been restated on a combined and consolidated basis to give retroactive effect to the combined operations throughout the reported historical periods.

Prior to the Reorganization, each of the Banks shared the services of the persons now serving as the Company's five senior executive officers, who allocated their time among the different entities. As a larger, combined financial services company, the Company expects to benefit from greater access to financial and managerial resources while maintaining its commitment to localized decision-making and to its community banking philosophy. Management also believes the Company is positioned to compete more effectively with other larger and more diversified banks, bank holding companies and other financial services companies as it pursues its growth strategy through additional branch openings and de novo bank formations, potential acquisitions of specialized finance companies and other expansion.

BANKING SUBSIDIARIES

The Company provides banking and financial services to individuals, small businesses, local governmental units and institutional clients residing primarily in the Banks' local service areas. These services include traditional demand, NOW, money market, savings and time deposit accounts, as well as a number of innovative deposit products targeted to specific market segments.

The Banks offer home equity, home mortgage, real estate and commercial loans, safe deposit facilities, trust services and other innovative and traditional services specially tailored to meet the needs of customers in their market areas.

Each of the Banks was founded as a de novo banking organization (i.e., started new) within the last six years. The organizational efforts began in 1991, when a group of experienced bankers and local business people identified an unfilled niche in the Chicago metropolitan area retail banking market. As large banks acquired smaller ones and personal service was subjected to consolidation strategies, the opportunity increased in affluent suburbs for locally owned and operated, highly personal service-oriented banks. As a result, Lake Forest Bank was founded in December 1991 to service the Lake Forest and Lake Bluff communities. The Lake Bluff branch was opened in 1994. In 1993, Hinsdale Bank was opened to service the communities of Hinsdale and Burr Ridge. Its Clarendon Hills branch was opened in 1996. In 1994, North Shore Community Bank was started in order to service Wilmette and Kenilworth. A Glencoe branch was opened in 1995, and a Winnetka branch was opened in 1996 to service Winnetka and Northfield. In 1995, Libertyville Bank was opened to service Libertyville, Vernon Hills and Mundelein. In December 1996, Barrington Bank was opened to service the Barrington/Inverness areas. All Banks are insured by the Federal Deposit Insurance Company ("FDIC") and are subject to regulation, supervision and regular examination by the Illinois State Director of Financial Institutions and the Federal Reserve Bank.

NON-BANKING SUBSIDIARIES

First Premium commenced operations approximately six years ago and is headquartered in Deerfield, Illinois. Based on limited industry data available in certain state regulatory filings and First Premium management's experience in and knowledge of the premium finance industry, management estimates that, ranked by loan origination volume, First Premium is one of the top 10 premium finance companies operating in the United States. Loans are originated by First Premium's own sales force, working with medium and large insurance agents and brokers throughout the United States. Insurance premiums are financed primarily for commercial customers' purchase of property and casualty insurance.

First Premium is licensed or otherwise qualified to do business as an insurance premium finance company in 45 states and the District of Columbia, and has applied for licenses in three additional states. Virtually all of its outstanding loans are commercial accounts.

COMPETITION

The Company competes in the commercial banking industry through its subsidiaries, North Shore Bank, Lake Forest Bank, Hinsdale Bank, Libertyville Bank and Barrington Bank, in the communities each serves. The commercial banking industry is highly competitive, and the Banks face strong direct competition for deposits, loans, and other financial-related services. The Banks compete directly in Cook, DuPage and Lake counties with other commercial banks, thrifts, credit unions, stockbrokers, and the finance divisions of automobile companies. Some of these competitors are local, while others are statewide or nationwide. The Banks have developed a community banking and marketing strategy. In keeping with this strategy, the Banks provide highly personalized and responsive service characteristic of locally-owned and managed institutions. As such, the Banks compete for deposits principally by offering depositors a variety of deposit programs, convenient office locations, hours and other services, and for loan originations primarily through the interest rates and loan fees they charge, the efficiency and quality of services they provide to borrowers

and the variety of their loan products. Some of the financial institutions and financial services organizations with which the Banks compete are not subject to the same degree of regulation as that imposed on bank holding companies, Illinois banking corporations and national banking associations. In addition, the larger banking organizations have significantly greater resources than those that will be available to the Banks. As a result, such competitors have advantages over the Banks in providing certain non-deposit services.

First Premium encounters intense competition from numerous other firms, including a number of national commercial premium finance companies, companies affiliated with insurance carriers, independent insurance brokers who offer premium finance services, banks and other lending institutions. Some of First Premium's competitors are larger and have greater financial and other resources and are better known than First Premium. In addition, there are few, if any, barriers to entry into this industry in the event other firms, particularly insurance carriers and their affiliates, seek to compete in this market.

First Premium believes that it offers better service and more flexibility with regard to late payments and policy cancellations than affiliates of insurance carriers, banks and other lending institutions. First Premium competes with these entities by emphasizing a high level of knowledge of the insurance industry, flexibility in structuring financing transactions, and the timely purchase of qualifying contracts. First Premium believes that its commitment to account service also distinguishes it from its competitors. It is First Premium's policy to notify the insurance agent when an insured is in default and to assist in collection, if requested by the agent. To the extent that affiliates of insurance carriers, banks, and other lending institutions add greater service and flexibility to their financing practices in the future, the Company's operations could be adversely affected. There can be no assurance that First Premium will be able to continue to compete successfully in its markets.

EMPLOYEES

At December 31, 1996, the Company and subsidiaries employed a total of 226 full-time-equivalent persons, consisting of 73 executives, management and supervisory personnel and 153 clerical employees. The Company and the Banks provide their employees with comprehensive medical and dental plans, life insurance plans, and 401(k) plans. The Company considers its relationship with employees to be good.

SUPERVISION AND REGULATION

Bank holding companies and banks are extensively regulated under federal and state law. References under this heading to applicable statutes or regulations are brief summaries of portions thereof which do not purport to be complete and which are qualified in their entirety by reference to those statutes and regulations. Any change in applicable laws or regulations may have a material adverse effect on the business of commercial banks and bank holding companies, including the Company and the Banks. However, management is not aware of any current recommendations by any regulatory authority which, if implemented, would have or would be reasonably likely to have a material effect on liquidity, capital resources, or operations of the Company or the Banks.

BANK HOLDING COMPANY REGULATION

The Company and each of its bank holding company subsidiaries, Lake Forest, Hinsdale and Libertyville, are registered as "bank holding companies" with the Federal Reserve and, accordingly, are subject to supervision by the Federal Reserve under the Bank Holding Company Act (the Bank Holding Company Act and the regulations issued thereunder, are collectively the "BHC Act"). The Company is required to file with the Federal Reserve periodic reports and such additional information as the Federal Reserve may require pursuant to the BHC Act. The Federal Reserve examines the Company and may examine the Banks.

The BHC Act requires prior Federal Reserve approval for, among other things, the acquisition by a bank holding company of direct or indirect ownership or control of more than five percent of the voting shares or substantially all the assets of any bank or bank holding company, or for a merger or consolidation of a bank holding company with another bank holding company. With certain exceptions, the BHC Act prohibits a bank holding company from acquiring direct or indirect ownership or control of voting shares of any company which is not a bank or bank holding company and from engaging directly or indirectly in any activity other than banking or managing or controlling banks or performing services for its authorized subsidiaries. A bank holding company may, however, engage in or acquire an interest in a company that engages in activities which the Federal Reserve has determined, by regulation or order, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto, such as owning and operating the premium finance business conducted by First Premium. Under the BHC Act and Federal Reserve regulations, the Company and the Banks are prohibited from engaging in certain tie-in arrangements in connection with an extension of credit, lease, sale of property, or furnishing of services.

Any person, including associates and affiliates of and groups acting in concert with such person, who purchases or subscribes for five percent or more of the Company's Common Stock may be required to obtain prior approval of the Illinois Commissioner and the Federal Reserve. Under the Illinois Banking Act, any person who thereafter acquires stock of the Company such that its interest exceeds ten percent of the Company, may be required to obtain the prior approval of the Illinois Commissioner and under the Change in Bank Control Act, a person may be required to obtain the prior regulatory approval of the FDIC or OCC, in the case of Barrington Bank, and the Federal Reserve before acquiring the power to directly or indirectly direct the management, operations or policies of the Company or the Banks or before acquiring control of 25 percent or more of any class of the Company's or Banks' outstanding voting stock. In addition, any Company, partnership, trust or organized group that acquires a controlling interest in the Company or the Banks may have to obtain approval of the Federal Reserve to become a bank holding company and thereafter be subject to regulation as such.

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

The Federal Reserve has adopted risk-based capital requirements for assessing bank holding company capital adequacy. These standards define regulatory capital and establish minimum capital standards in relation to assets and off-balance sheet exposures, as adjusted for credit risks. The Federal Reserve's risk-

based guidelines apply on a consolidated basis for bank holding companies with consolidated assets of \$150 million or more and on a "bank-only" basis for bank holding companies with consolidated assets of less than \$150 million, subject to certain terms and conditions. Under the Federal Reserve's risk-based guidelines, capital is classified into two categories. For bank holding companies, Tier 1 or "core" capital consists of common shareholders' equity, perpetual preferred stock (subject to certain limitations) and minority interests in the common equity accounts of consolidated subsidiaries, and is reduced by goodwill, certain other intangible assets and certain investments in other Companies ("Tier 1 Capital"). Tier 2 capital consists of the allowance for loan and lease losses (subject to certain conditions and limitations), perpetual preferred stock, "hybrid capital instruments," perpetual debt and mandatory convertible debt securities, and term subordinated debt and intermediate-term preferred stock.

Under the Federal Reserve's capital guidelines, bank holding companies are required to maintain a minimum ratio of qualifying capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 Capital to total assets of 3.0%, except that bank holding companies not rated in the highest category under the regulatory rating system are required to maintain a leverage ratio of 1.0% to 2.0% above such minimum. The 3.0% Tier 1 Capital to total assets ratio constitutes the minimum leverage standard for bank holding companies, and will be used in conjunction with the risk-based ratio in determining the overall capital adequacy of banking organizations. In addition, the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities.

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

BANK REGULATION

Under Illinois law, each of North Shore Bank, Lake Forest Bank, Hinsdale Bank and Libertyville Bank are subject to supervision and examination by the Illinois Commissioner. As an affiliate of these Banks, the Company is also subject to examination by the Illinois Commissioner. Barrington Bank is subject to supervision and examination by the OCC pursuant to the National Bank Act and regulations promulgated thereunder. Each of the Banks is a member of the Federal Reserve Bank and as such is also subject to examination by the Federal Reserve.

The deposits of the Banks are insured by the Bank Insurance Fund under the provisions of the Federal Deposit Insurance Act (the "FDIA"), and the Banks are, therefore, also subject to supervision and examination by the FDIC. The FDIC requires that the appropriate federal regulatory authority (the Federal Reserve Bank and/or the FDIC in the case of Lake Forest Bank, North Shore Bank, Hinsdale Bank and Libertyville Bank, or the OCC, in the case of Barrington Bank) approve any merger and/or consolidation by or with an insured bank, as well as the establishment or relocation of any bank or branch office. The FDIC also supervises compliance with the provisions of federal law and regulations which place restrictions on loans by FDIC-insured banks to their directors, executive officers and other controlling persons.

Furthermore, banks are affected by the credit policies of other monetary authorities, including the Federal Reserve, which regulate the national supply of bank credit. Such regulation influences overall growth of bank loans, investments, and deposits and may also affect interest rates charged on loans and paid on deposits. The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future.

All banks located in Illinois have traditionally been restricted as to the number and geographic location of branches which they may establish. The Illinois Banking Act was amended in June 1993, however, to eliminate such branching restrictions. Accordingly, banks located in Illinois are now permitted to establish branches anywhere in Illinois without regard to the location of other banks' main offices or the number of branches previously maintained by the bank establishing the branch.

FINANCIAL INSTITUTION REGULATION GENERALLY

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

Dividend Limitations. As a holding company, the Company is primarily dependent upon dividend distributions from its operating subsidiaries for its income. Federal and state statutes and regulations impose restrictions on the payment of dividends by the Company and the Banks.

Federal Reserve policy provides that a bank holding company should not pay dividends unless (i) the bank holding company's net income over the prior year is sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries.

Illinois law also places certain limitations on the ability of the Company to pay dividends. For example, the Company may not pay dividends to its shareholders if, after giving effect to the dividend, the Company would not be able to pay its debts as they become due. Since a major source of the Company's revenue is dividends the Company receives and expects to receive from the Banks, the Company's ability to pay dividends is likely to be dependent on the amount of dividends paid by the Banks. No assurance can be given that the Banks will, in any circumstances, pay dividends to the Company.

As Illinois state-chartered banks, none of Lake Forest Bank, North Shore Bank, Hinsdale Bank nor Libertyville Bank may pay dividends in an amount greater than its current net profits after deducting losses and bad debts out of undivided profits provided that its surplus equals or exceeds its capital. For the purpose of determining the amount of dividends that an Illinois bank may pay, bad debts are defined as debts upon which interest is past due and unpaid for a period of six months or more unless such debts are well-secured and in the process of collection. Furthermore, federal regulations also prohibit any Federal Reserve member bank, including each of the Banks, from declaring dividends in any calendar year in excess of its net profit for the year plus the retained net profits for the preceding two years. Similarly, as a

national association, Barrington Bank may not declare dividends in any year in excess of its net profit for the year plus the retained net profits for the preceding two years. Furthermore, the OCC may, after notice and opportunity for hearing, prohibit the payment of a dividend by a national bank if it determines that such payment would constitute an unsafe or unsound practice.

In addition to the foregoing, the ability of the Company and the Banks to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under the Federal Deposit Insurance Company Improvements Act of 1991 ("FDICIA"), as described below. The right of the Company, its shareholders and its creditors to participate in any distribution of the assets or earnings of its subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

Standards for Safety and Soundness. The FDIA, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994 requires the Federal Reserve, together with the other federal bank regulatory agencies, to prescribe standards of safety and soundness, by regulations or guidelines, relating generally to operations and management, asset growth, asset quality, earnings, stock valuation, and compensation. The Federal Reserve, the OCC and the federal bank regulatory agencies have adopted, effective August 9, 1995, a set of guidelines prescribing safety and soundness standards pursuant to FDICIA, as amended. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, each of the Federal Reserve and the OCC adopted regulations that authorize, but do not require, the Federal Reserve or the OCC, as the case may be, to order an institution that has been given notice by the Federal Reserve or the OCC, as the case may be, that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the Federal Reserve or the OCC, as the case may be, must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized association is subject under the "prompt corrective action" provisions of FDICIA. If an institution fails to comply with such an order, the Federal Reserve or the OCC, as the case may be, may seek to enforce such order in judicial proceedings and to impose civil money penalties. The Federal Reserve, the OCC and the other federal bank regulatory agencies also proposed guidelines for asset quality and earnings standards.

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

In August, 1995, the Federal Reserve, OCC, FDIC and other federal banking agencies published a final rule modifying their existing risk-based capital standards to provide for consideration of interest rate risk when assessing the capital adequacy of a bank. Under the final rule, the Federal Reserve, the OCC and the FDIC must explicitly include a bank's exposure to declines in the economic value of its capital due to changes in interest rates as a factor in evaluating a bank's capital adequacy. The Federal Reserve, the FDIC, the OCC and other federal banking agencies also have adopted a joint agency policy statement providing guidance to banks for managing interest rate risk. The policy statement emphasizes the importance of adequate oversight by management and a sound risk management process. The assessment of interest rate risk management made by the banks' examiners will be incorporated into the banks' overall risk management rating and used to determine the effectiveness of management.

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

Insurance of Deposit Accounts. Under FDICIA, as an FDIC-insured institution, each of the Banks is required to pay deposit insurance premiums based on the risk it poses to the insurance fund. The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve certain designated reserve ratios in the insurance funds and to impose special additional assessments. The FDIC recently amended the risk-based assessment system and on December 11, 1995, adopted a new assessment rate schedule for BIF insured deposits. The new assessment rate schedule, effective with respect to the semiannual premium assessment beginning January 1, 1996, provides for an assessment range of zero to 0.27% (subject to a \$2,000 minimum) of insured deposits depending on capital and supervisory factors. Each depository institution is assigned to one of three capital groups: "well capitalized," "adequately capitalized" or "less than adequately capitalized." Within each capital group, institutions are assigned to one of three supervisory subgroups: "healthy," "supervisory concern" or "substantial supervisory concern." Accordingly, there are nine combinations of capital groups and supervisory subgroups to which varying assessment rates would be applicable. An institution's assessment rate depends on the capital category and supervisory category to which it is assigned.

During 1996, the Banks, other than Barrington Bank, were assessed at an average annual rate of the statutory minimum of \$2,000. Deposit insurance may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

The management of each of the Banks does not know any practice, condition or violation that might lead to termination of deposit insurance.

The Economic Growth and Regulatory Paperwork Reduction Act of 1996 enacted on September 30, 1996 provides that beginning with semi-annual periods after December 31, 1996, deposits insured by the Bank Insurance Fund ("BIF") will also be assessed to pay interest on the bonds (the "FICO Bonds") issued in the late 1980s by the Financing Company to recapitalize the now defunct Federal Savings & Loan Insurance Company. For purposes of the assessments to pay interest on the FICO Bonds, BIF deposits will be assessed at a rate of 20.0% of the assessment rate applicable to SAIF deposits until December 31, 1999. After the earlier of December 31, 1999 or the date on which the last savings association ceases to exist, full pro rata sharing of FICO assessments will begin. It has been estimated that the rates of assessment for the payment of interest on the FICO Bonds will be approximately 1.3 basis points for BIF-assessable deposits and approximately 6.4 basis points for SAIF-assessable deposits. The payment of the assessment to pay interest on the FICO Bonds should not materially affect the Banks.

Federal Reserve System. The Banks are subject to Federal Reserve regulations requiring depository institutions to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The Federal Reserve regulations generally require 3.0% reserves on the first \$51.3 million of transaction accounts plus 10.0% on the remainder. The first \$4.3 million of otherwise reservable balances (subject to adjustments by the Federal Reserve) are exempted from the reserve requirements. The Banks are in compliance with the foregoing requirements.

Community Reinvestment. Under the Community Reinvestment Act ("CRA"), a financial institution has a continuing and affirmative obligation, consistent with the safe and sound operation of such institution, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires each federal banking agency, in connection with its examination of a financial institution, to assess and assign one of four ratings to the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by the institution, including applications for charters, branches and other deposit facilities, relocations, mergers, consolidations, acquisitions of assets or assumptions of liabilities, and savings and loan holding company acquisitions. The CRA also requires that all institutions make public disclosure of their CRA ratings. Each of the Banks received "satisfactory" ratings from the FDIC on their most recent CRA performance evaluations. As of the date of this report, Barrington Bank has not undergone a regulatory CRA performance evaluation.

In April 1995, the Federal Reserve, the OCC and other federal banking agencies adopted amendments revising their CRA regulations. Among other things, the amended CRA regulations substitute for the prior process-based assessment factors a new evaluation system that would rate an institution based on its actual performance in meeting community needs. In particular, the proposed system would focus on three tests: (i) a lending test, to evaluate the institution's record of making loans in its assessment areas; (ii) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and (iii) a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices.

The amended CRA regulations also clarify how an institution's CRA performance would be considered in the application process.

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

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

Interstate Banking and Branching Legislation. On September 29, 1994, the Riegle-Neal Interstate Banking and Efficiency Act of 1994 (the "Interstate Banking Act") was enacted. Under the Interstate Banking Act, adequately capitalized and adequately managed bank holding companies will be allowed to acquire banks across state lines subject to certain limitations. In addition, under the Interstate Banking Act, beginning on June 1, 1997, banks will be permitted to merge with one another across state lines and thereby create a main bank with branches in separate states. After establishing branches in a state through an interstate merger transaction, a bank could establish and acquire additional branches at any location in the state where any bank involved in the interstate merger could have established or acquired branches under applicable federal and state law.

Under the Interstate Banking Act, states may adopt legislation permitting interstate mergers before June 1, 1997. Alternatively, states may adopt legislation before June 1, 1997, subject to certain conditions, opting out of interstate branching. Illinois adopted legislation, effective September 29, 1995, permitting interstate mergers beginning on June 1, 1997. It is anticipated that this interstate merger and branching ability will increase competition and further consolidate the financial institutions industry.

MONETARY POLICY AND ECONOMIC CONDITIONS

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

The above monetary and fiscal policies and resulting changes in interest rates have affected the operating results of all commercial banks in the past and are expected to do so in the future. The Banks and their respective holding companies cannot fully predict the nature or the extent of any effects which fiscal or monetary policies may have on their business and earnings.

SUPPLEMENTAL STATISTICAL DATA

Pages 1, 25 and 26 of the Annual Report to Shareholders and pages 11-21 of this Report contain supplemental statistical data as required by The Exchange Act Industry Guide 3 which is incorporated into Regulation S-K of the Securities and Exchange Acts. This data should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, and Management's Discussion and Analysis which are contained in its 1996 Annual Report to Shareholders filed herewith as Exhibit 13.1 and incorporated herein by reference.

ASSET-LIABILITY MANAGEMENT

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

An institution with more assets than liabilities repricing over a given time frame is considered asset sensitive and will generally benefit from rising rates. The table on the following page illustrates the Company's estimated interest rate sensitivity and periodic and cumulative gap positions as calculated as of December 31, 1996.

TIME TO MATURITY OR REPRICING

	0-90	91-365	1-5	OVER 5	TOTAL
	DAYS	DAYS	YEARS	YEARS	
	----	----	-----	-----	-----
(DOLLARS IN THOUSANDS)					
ASSETS:					
Loans.....	\$228,471	\$132,812	\$104,638	\$26,627	\$492,548
Securities.....	56,606	6,028	10,233	1,521	74,388
Interest-bearing bank deposits.....	2,478	16,254	-	-	18,732
Federal funds sold.....	38,835	-	-	-	38,835
Other.....	-	-	-	81,534	81,534
Total assets.....	\$326,390	\$155,094	\$114,871	\$109,682	\$706,037
LIABILITIES AND SHAREHOLDERS' EQUITY:					
NOW.....	\$57,490	\$ -	\$ -	\$ -	\$57,490
Savings and money market.....	168,976	-	-	-	168,976
Time deposits.....	171,686	102,630	49,235	848	324,399
Short term borrowings.....	7,058	-	-	-	7,058
Notes payable.....	22,057	-	-	-	22,057
Other.....	-	-	-	126,057	126,057
Total liabilities and shareholders' equity.....	\$427,267	\$102,630	\$49,235	\$126,905	\$706,037
Rate sensitive assets (RSA).....	\$326,390	\$481,484	\$596,355	\$706,037	
Rate sensitive liabilities (RSL).....	427,267	529,897	579,132	706,037	
Cumulative gap (GAP = RSA - RSL).....	\$(100,877)	\$(48,413)	\$17,223	\$ -	
Cumulative RSA/RSL.....	0.76	0.91	1.03		
Cumulative RSA/Total assets.....	0.46	0.68	0.84		
Cumulative RSL/Total assets.....	0.61	0.75	0.82		
GAP/Total assets.....	(14)%	(7)%	2%		
GAP/RSA.....	(31)%	(10)%	3%		

While the gap position illustrated above is a useful tool that management can assess for general positioning of the Company's and its subsidiaries' balance sheets, management uses an additional measurement tool to evaluate its asset/liability sensitivity which determines exposure to changes in interest rates by measuring the percentage change in net income due to changes in rates over a two-year time horizon. Management measures such percentage change 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 income over a two-year time horizon due to changes in interest rates, at December 31, 1996, is as follows:

	+200 BASIS POINTS -----	-200 BASIS POINTS -----
Percentage change in net income due to an immediate 200 basis point change in interest rates over a two-year time horizon.....	23.0%	(13.3)%

SECURITIES PORTFOLIO

Tables presenting the carrying amounts and gross unrealized gains and losses for securities held-to-maturity and available-for-sale at December 31, 1996 and 1995 (in thousands) are included by reference to page 12 and page 13 of the 1996 Annual Report to Shareholders and are incorporated herein by reference.

Maturities of securities as of December 31, 1996 by maturity distribution are as follows (in thousands):

	Within 1 Year -----	From 1 to 5 years -----	From 5 to 10 Year -----	After 10 years -----	Federal Reserve Bank Stock -----	Total -----
U.S. Treasury obligations	\$ 9,689	\$ 5,001	\$ -	\$ -	N/A	\$ 14,690
Federal agency obligations	19,641	-	-	-	N/A	19,641
Municipal	317	-	-	-	N/A	317
Other	32,989	5,230	-	-	N/A	38,219
Federal Reserve Bank stock	N/A	N/A	N/A	N/A	1,521	1,521
Total	\$62,636	\$10,231	\$ -	\$ -	\$1,521	\$74,388

The weighted average yield for each range of maturities of securities is shown below as of December 31, 1996:

	Within 1 Year -----	From 1 to 5 years -----	From 5 to 10 Year -----	After 10 years -----	Federal Reserve Bank Stock -----	Total -----
U.S. Treasury obligations	5.55%	-	-	-	-	5.55%
Federal agency obligations	5.47%	-	-	-	-	5.47%
Municipal	6.06%	-	-	-	-	6.06%
Other	5.71%	5.85%	-	-	-	5.73%
Federal Reserve Bank stock	-	-	-	-	6.00%	6.00%

* Yields on tax-advantaged securities reflect a tax equivalent adjustment based on a marginal corporate tax rate of 34% in 1996.

Securities of a Single Issuer

There were no securities of any single issuer which had book value in excess of ten percent of shareholders' equity at December 31, 1996.

LOAN PORTFOLIO

Classification of Loans

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

December 31 -----	1996 ----	1995 ----	1994 ----	1993 ----	1992 ----
Commercial/commercial real estate	\$182,403	\$101,271	\$ 45,587	\$13,642	\$ 4,659
Home equity	87,303	54,592	26,244	13,090	6,351
Indirect auto	91,212	38,831	-	-	-
Residential real estate	51,673	37,074	26,188	14,095	9,020
Installment	23,716	12,524	4,865	6,193	5,642
Premium finance	59,240	15,703	93,349	63,534	23,383
	-----	-----	-----	-----	-----
	495,547	259,995	196,233	110,554	49,055
Less: Unearned finance charges	2,999	1,764	2,251	1,278	528
	-----	-----	-----	-----	-----
Total	\$492,548	\$258,231	\$193,982	\$109,276	\$48,527
	=====	=====	=====	=====	=====

Commercial and commercial real estate loans. The commercial loan component is comprised primarily of commercial real estate loans, lines of credit for working capital purposes, and term loans for the acquisition of equipment. Commercial real estate is predominantly owner occupied and secured by a first mortgage lien and assignment of rents on the property. Equipment loans are fully amortized over 24 to 60 months and secured by titles and/or U.C.C. filings. Working capital lines are renewable annually and supported by business assets, personal guarantees and often some sort of additional collateral. Commercial business lending is generally considered to involve a higher degree of risk than traditional bank lending. The vast majority of commercial loans are made within the Banks' immediate market areas. The increase can be attributed to an emphasis on business development calling programs and superior servicing of existing commercial loan customers which has increased referrals.

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

are usually required to be repaid within 15 days. The Company has developed strong relationships with a number of mortgage brokers and is seeking to expand its customer base for this niche business.

The following table classifies the commercial loan portfolio category at December 31, 1996 by date at which the loans mature:

	ONE YEAR OR LESS -----	FROM ONE TO FIVE YEARS -----	AFTER FIVE YEARS -----	TOTAL -----
		(IN THOUSANDS)		
Commercial loans and commercial real estate loans.....	115,349	55,469	7,586	178,404
Commercial paper.....	3,999	-	-	3,999
Premium finance loans.....	57,453	-	-	57,453

Of those loans maturing after one year, \$59.8 million have fixed rates.

Home equity loans. The Company's home equity loan products are generally structured as lines of credit secured by first or second position mortgage liens on the underlying property with loan-to-value ratios not exceeding 80%, including prior liens, if any. The Banks' home equity loans feature competitive rate structures and fee arrangements. In addition, the Banks periodically offer promotional home equity loan products as part of their marketing strategy often featuring lower introductory rates.

Indirect auto loans. As part of its strategy to pursue specialized earning asset niches to augment loan generation within the Banks' target markets, the Company finances fixed rate automobile loans funded indirectly through unaffiliated automobile dealers. As of December 31, 1996, indirect auto loans comprised approximately 79.4% of the Company's consumer loan portfolio. Indirect automobile loans are secured by new and used automobiles and are generated by a network of automobile dealers located in the Chicago area with which the Company has established relationships. These credits generally have an original maturity of 36 to 60 months and the average actual maturity is estimated to be approximately 37 months. The risk associated with this portfolio is diversified amongst many individual borrowers. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans. Like other consumer loans, the indirect auto loans are subject to the Banks' stringent credit standards.

Residential real estate mortgages. The residential real estate category includes one- to four-family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals, and bridge financing loans for qualifying customers. The adjustable rate mortgages are often non-agency conforming, may have terms based on differing indexes, and relate to properties located principally in the Chicago metropolitan area or vacation homes owned by local residents. Adjustable-rate mortgage loans decrease, but do not eliminate, the risks associated with changes in interest rates. Because periodic and lifetime caps limit the interest rate adjustments, the value of adjustable-rate mortgage loans fluctuates inversely with changes in interest rates. In addition, as interest rates increase, the required payments by the borrower increases, thus increasing the potential for default. The Company does not generally originate loans for its own portfolio with long-term fixed rates due to interest rate risk considerations. However, the Banks do accommodate customer requests for fixed rate loans by originating

and selling the loans into the secondary market, in connection with which the Company receives servicing fee income.

Premium finance loans. The Company internally originates premium finance loans at First Premium which generally sells them to the Banks or funds the loans through asset securitization facilities. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Liquidity and Capital Resources." All premium finance loans, however financed, are subject to the Company's stringent credit standards, and substantially all such loans are made to commercial customers. The Company rarely finances consumer insurance premiums, which are regarded by management as riskier loans.

First Premium offers financing of approximately 80% of an insurance premium primarily to commercial purchasers of property and casualty and liability insurance who desire to pay insurance premiums on an installment basis. The premium finance loan allows the insured to spread the cost of the insurance policy over time. First Premium markets its financial services primarily by establishing and maintaining relationships with medium and large insurance agents and brokers and by offering a high degree of service and innovative products. Senior management is significantly involved in First Premium's marketing efforts, currently focused almost exclusively on commercial accounts which it believes provide higher returns at lower risk. Loans are originated by First Premium's own sales force by working with insurance agents and brokers throughout the United States. As of December 31, 1996, First Premium had the necessary licensing and other regulatory approvals to do business in 45 states and the District of Columbia and has applied for licenses in three additional states.

In financing insurance premiums, the Company does not assume the risk of loss normally borne by insurance carriers. Typically the insured buys an insurance policy from an independent insurance agent or broker who offers financing through First Premium. The insured makes a down payment of approximately 15% to 25% of the total premium and signs a premium finance agreement with First Premium for the balance due, which amount First Premium disburses directly to the insurance carrier or its agents to satisfy the unpaid premium amount. As the insurer earns the premium ratably over the life of the policy, the unearned portion of the premium secures payment of the balance due to First Premium by the insured. Under the terms of the Company's standard form of financing contract, the Company has the power to cancel the insurance policy if there is a default in the payment on the finance contract and to collect the unearned portion of the premium from the insurance carrier. In the event of cancellation of a policy, the cash returned in payment of the unearned premium by the insurer should be sufficient to cover the loan balance and generally the interest and other charges due as well.

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

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

RISK ELEMENTS IN THE LOAN PORTFOLIO

Nonaccrual, Past Due and Restructured Loans

Nonaccrual loans at December 31 are as follows (in thousands):

	1996	1995	1994	1993	1992
	----	----	----	----	----
Nonaccrual loans	\$1,686	\$1,778	\$ 4	\$ 4	\$ 44
Loans past due 90 days or more . .	95	142	16	-	88
Restructured loans	-	-	-	-	-
Total non-performing loans . .	1,781	1,920	20	4	132
Other real estate owned	-	-	-	-	-
Total non performing assets . .	\$1,781	\$1,920	\$ 20	\$ 4	\$ 132
Total non-performing loans to total loans . .	0.36%	0.74%	0.01%	-%	0.27%
Total non-performing assets to total assets . .	0.25%	0.41%	0.01%	-%	0.16%
Nonaccrual loans to total loans	0.34%	0.69%	-%	-%	0.09%

It is the policy of the Company to discontinue the accrual of interest income on any loan for which there is a reasonable doubt as to the payment of interest or principal. Nonaccrual loans are returned to an accrual status when the financial position of the borrower indicates there is no longer any reasonable doubt as to the payment of principal or interest. Other than those loans indicated above, the Company had no significant loans (1) for which the terms had been renegotiated, or (2) for which there were serious doubts as to the ability of the borrower to comply with repayment terms.

Other Real Estate Owned. The Company did not have any Other Real Estate Owned at the end of any of the reporting periods.

Potential Problem Loans

In addition to those loans disclosed under "Nonaccrual, Past Due and Restructured Loans", there are certain loans in the portfolio which management has identified, through its problem loan identification system which exhibit a higher than normal credit risk. However, these loans do not represent non-performing loans to the Company. Management's review of the total loan portfolio to identify loans where there is concern that the borrower will not be able to continue to satisfy present loan repayment terms includes factors such as review of individual loans, recent loss experience and current economic conditions. Loans in this category include those with characteristics such as those past maturity more than 45 days, those that have recent adverse operating cash flow or balance sheet trends, or have general risk characteristics that the loan officer feels might jeopardize the future timely collection of principal and interest payments. The principal amount of loans in this category as of December 31, 1996 and 1995 were approximately \$1.1 million and \$604,000, respectively. Loans in this category generally include loans that were classified for regulatory purposes. At December 31, 1996, there were no significant loans which were classified by any bank regulatory agency that are not included in the aforementioned potential

problem loans, nonaccrual, past due and restructured loans. At December 31, 1996, the Company was not a lender for any highly-leveraged transactions.

Loan Concentrations

Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. At December 31, 1996, the Company had no concentrations of loans exceeding 10% of total loans, except for indirect auto and premium finance loans as discussed above.

Foreign Loans

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

Analysis of the Allowance for Possible Loan Losses (in thousands)

	1996	1995	1994	1993	1992
Balance at beginning of period	\$2,763	\$1,702	\$1,357	\$ 961	\$ 818
Loans charged-off					
Residential real estate	-	-	-	-	-
Commercial and commercial real estate	(22)	-	(20)	-	-
Home equity	(140)	(25)	-	-	-
Premium finance	(207)	(247)	(40)	(5)	-
Financing leases	(583)	(109)	(205)	(728)	(965)
Indirect auto	(123)	-	-	-	-
Other loans	(28)	(18)	-	-	-
Total loans charged-offs	(1,103)	(399)	(265)	(733)	(965)
Recoveries					
Residential real estate	-	-	-	-	-
Commercial and commercial real estate	-	-	-	-	-
Home equity	-	-	-	-	-
Premium finance	24	30	3	2	-
Financing leases	-	-	-	-	-
Indirect auto	-	-	-	-	-
Other loans	17	-	-	-	-
Total recoveries	41	30	3	2	-
Net loans charged-off	(1,062)	(369)	(262)	(731)	(965)
Reduction due to subsidiary sold	-	-	-	-	(8)
Provision for possible loan losses	1,935	1,430	607	1,127	1,116
Balance at the end of period	\$3,636	\$2,763	\$1,702	\$1,357	\$ 961
Average total loans	\$347,076	\$183,614	\$148,209	\$79,052	\$40,528
Net loans charged-off to average total loans	0.31%	0.20%	0.18%	0.92%	2.38%

Both the provision and the allowance are based on an analysis of individual credits, prior and current loss experience, overall growth in the portfolio, current economic conditions, and other factors. An allocation of the ending allowance for loan losses by major loan type is presented below (in thousands):

Allocation of the Allowance for Loan Losses

	DECEMBER 31, 1996		December 31, 1995	
	AMOUNT	% OF LOANS IN EACH CATEGORY TO TOTAL LOANS	Amount	% of loans in each category to total loans
Residential real estate	\$ 34	10%	\$ 26	14%
Commercial and commercial real estate	996	37	1,044	39
Home equity	402	18	282	21
Premium finance	288	12	281	6
Indirect auto	432	18	190	15
Other loans	128	5	49	5
Unallocated	1,356	-	891	-
Total	\$3,636	100%	\$2,763	100%

The above allocation is made for analytical purposes. Prior to 1995, management did not perform a specific allocation of the allowance for possible loan losses by category. It is not anticipated that charge-offs during the year ending December 31, 1997 will exceed the amount allocated to any individual category of loan. For further review of the loan loss provision and the allowance for possible loan losses reference is made to pages 34 and 35 of Management's Discussion and Analysis of Financial Statements of the 1996 Annual Report to Shareholders filed herewith as Exhibit 13.1, and incorporated herein by reference.

DEPOSITS

The following table sets forth the scheduled maturities of time deposits in denominations of \$100,000 or more at December 31, 1996 (in thousands):

Maturing within 3 months	\$ 60,755
After 3 but within 6 months	32,534
After 6 but within 12 months	44,145
After 12 months	22,234
Total	\$159,668

RETURN ON EQUITY AND ASSETS

The following table presents certain ratios relating to the Company's equity and assets:

Year Ended December 31	1996	1995	1994
	----	----	----
Return on average total assets	(0.17)%	0.40%	(0.88)%
Return on average common shareholders' equity	(2.33)%	4.66%	(12.20)%
Dividend payout ratio	0.00%	0.00%	0.00%
Average equity to average total assets	7.4%	8.6%	7.2%
Ending total risk based capital ratio	8.0%	11.9%	9.6%
Leverage ratio	6.4%	8.5%	7.1%

SHORT-TERM BORROWINGS

The information required in connection with Short-Term Borrowings is contained under the caption "Analysis of Financial Condition - Short-Term Borrowings" in the 1996 Annual Report to Shareholders filed herewith as Exhibit 13.1, and is incorporated herein by reference.

ITEM 2. PROPERTIES

The Company's executive offices are located in the main bank facility of Lake Forest Bank. Lake Forest Bank has five physical banking locations. Lake Forest Bank's main bank facility is located at 727 N. Bank Lane, Lake Forest, Illinois, and is a three story, 18,000 square foot brick building. Lake Forest Bank constructed a drive-in, walk-up banking facility on land leased from the City of Lake Forest on the corner of Bank Lane and Wisconsin Avenue in Lake Forest, approximately one block north of the main banking facility. Lake Forest Bank also leases a 1,200 square foot, full service banking facility at 103 East Scranton Avenue in Lake Bluff and a 2,100 square foot, full service banking facility on the west side of Lake Forest, Illinois at 810 South Waukegan Road. Lake Forest maintains automated teller machines at each of its locations except the 810 South Waukegan Road facility. A drive-in and walk-up banking facility was opened in the first quarter of 1997 at 911 S. Telegraph Road in the West Lake Forest Train Station. Lake Forest Bank has no offsite automated teller machines

North Shore Bank currently has four physical banking locations. North Shore Bank owns the main bank facility, a one story brick building that is located at 1145 Wilmette Avenue in downtown Wilmette, Illinois. North Shore bank also owns a newly constructed 9,600 square foot drive-in, walk-up banking facility at 720 12th Street, approximately one block west of the main banking facility. North Shore Bank leases a full service banking facility at 362 Park Avenue in Glencoe, Illinois. Additionally, during May, 1996, North Shore Bank opened a branch banking facility in Winnetka, Illinois where it leases approximately 4,000 square feet. North Shore bank maintains automated teller machines at each of its locations, except Glencoe and Winnetka. North Shore has no offsite automated teller machines.

Hinsdale Bank currently has three physical banking locations. Hinsdale Bank owns its main bank facility, a two story brick building located at 25 East First Street in downtown Hinsdale, Illinois. Hinsdale Bank constructed a 1,000 square foot drive-in, walk-up banking facility at 130 West Chestnut, approximately two blocks west of the main banking facility. Hinsdale Bank maintains automated teller machines at both of its locations. Hinsdale Bank has no offsite automated teller machines. Hinsdale Bank also has a building in Clarendon Hills which has approximately 6,000 square feet. Clarendon Hills Bank, a branch of Hinsdale Bank, currently occupies approximately 2,000 square feet as a full service banking facility and leases the remainder of the space to unrelated parties.

Libertyville Bank currently has two physical banking locations. Libertyville Bank owns the main bank facility, which is a 13,000 square foot two story brick building located at 507 North Milwaukee Avenue in downtown Libertyville, Illinois. Libertyville Bank also owns a 2,500 square foot drive-in, walk-up banking facility at 201 Hurlburt Court, approximately five blocks southeast of the main banking facility. Libertyville Bank maintains automated teller machines at both of its locations. Libertyville Bank has no offsite automated teller machines.

Barrington Bank currently has one physical banking location, a 2,860 square foot space which it is leasing. The building is located at 202 South Cook Street in Barrington, Illinois. This location will serve as a temporary facility for the Bank until such time as its permanent facility is completed. Barrington Bank has purchased property located at 201 South Hough in Barrington and has designed for new construction a 15,000 square foot frame structure with an attached drive-through facility. This building will serve as Barrington Bank's main bank facility when construction is completed, currently scheduled for late 1997.

First Premium's offices are located at 520 Lake Cook Road, Suite 300, Deerfield, Illinois 60015. First Premium leases approximately 12,000 square feet of office space at a cost of \$27,000 per month under a eight-year and nine month lease expiring in the year 2000.

ITEM 3. LEGAL PROCEEDINGS

The Company and its subsidiaries from time to time are subject to pending and threatened legal action and proceedings arising in the normal course of business. Since the Banks act as depositories of funds, they are from time to time named as defendants in various lawsuits (such as garnishment proceedings) involving claims to the ownership of funds in particular accounts. Any such litigation currently pending is incidental to such Bank's business and, based on information currently available to management, management believes the outcome of such actions or proceedings will not have a material adverse effect on the operations or financial condition of the Company or its subsidiaries.

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

No matters were submitted to a vote of security holders during the fourth quarter of 1996.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Other than certain restricted shares, the majority of the Common Stock is freely tradable by persons other than those who are currently affiliates of the Company. At December 31, 1996, the principal market for the Company's Common Stock was the over-the-counter (OTC) market where bid and asked prices were quoted on the OTC Bulletin Board. However, on March 13, 1997 the common stock began trading on The Nasdaq National Market under the symbol WTFC. Prior to the Company's listing on The Nasdaq National Market there had not been active trading in the Common Stock. Prior to the Company's Reorganization in September, 1996, there was no established public market for the shares of the Company's predecessor companies.

The table below sets forth the high and low per share bid prices quoted for the Common Stock during the fourth quarter of 1996, the first full quarterly period for which there has been limited trading in the Common Stock. Such over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. Furthermore, for the period from October 1, 1996 to October 18, 1996, bids for the Common Stock quotations were being maintained by only one market maker.

1996	HIGH	BID ---	LOW
Fourth quarter	\$15.62		\$12.50

The low bid price for the fourth quarter was quoted during the period at the beginning of the quarter when there was only one market maker maintaining quotations on the OTC Bulletin Board.

APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS

As of March 21, 1997 there were approximately 2,189 holders of record of the Company's common stock which has no par value.

DIVIDENDS ON COMMON STOCK

The Company has not previously paid dividends on its common stock but rather has retained earnings to facilitate growth of the Company. Because the Company's consolidated net income consists largely of net income of the Banks and First Premium, the Company's ability to pay dividends depends upon its receipt of dividends from the Banks and First Premium. The Banks' ability to pay dividends is regulated by banking statutes. See "Financial Institution Regulation Generally - Dividend Limitations" on page 6 of this Report.

In addition, each of North Shore Bank, Libertyville Bank and Barrington Bank is subject to additional restrictions prohibiting the payment of dividends by a de novo bank in its first three years of operations. The de novo periods will end for North Shore Bank, Libertyville Bank and Barrington Bank in September 1997, October 1998 and December 1999, respectively. In addition, the payment of dividends may be restricted under certain financial covenants in the Company's revolving line of credit.

The declaration of dividends is at the discretion of the Company's Board of Directors and depends upon earnings, capital requirements, regulatory limitations, tax considerations, the operating and financial condition of the Company and other factors. Reference is made to note 13 of the 1996 Annual Report to Shareholders, attached hereto as Exhibit 13.1, which is incorporated herein by reference for a description of the restrictions on the ability of certain subsidiaries to transfer funds to the Company in the form of dividends.

RECENT SALES OF UNREGISTERED SECURITIES.

In December 1996, options to purchase 34,622 shares of the Company's Common Stock were granted pursuant to an employee stock option plan to a limited number of key employees. Such options were issued in reliance on the exemption from registration pursuant to Section 4(2) of the Securities Act.

In December 1996, in connection with the Company's acquisition of Wolfhoya Investments, Inc. ("Wolfhoya"), the Company issued an aggregate of 87,556 shares of Common Stock to the shareholders of Wolfhoya, all of whom are directors or officers of the Company or its subsidiaries, in reliance on the exemption from registration pursuant to Section 4(2) of the Securities Act. As part of such acquisition, each outstanding warrant to purchase shares of common stock of Wolfhoya was adjusted in accordance with its terms to represent the right to purchase an appropriately adjusted number of shares of Common Stock of the Company. An aggregate of 16,838 Warrants were received by the former shareholders of Wolfhoya as a result of that transaction, not involving the sale of securities by the Company. Options that were granted by Wolfhoya prior to its acquisition by the Company in the fourth quarter of 1996 were also adjusted in connection with such acquisition into options to purchase 68,534 shares of the Company's Common Stock.

ITEM 6. SELECTED FINANCIAL DATA

Certain information required in response to this item is contained in the Annual Report to Shareholders under the caption "Selected Financial Highlights" and is incorporated herein by reference. The Company's preferred stock for the last five years are presented as follows (in thousands):

	1996	1995	1994	1993	1992
	----	----	----	-----	----
Net income (loss) from continuing operations	\$ (973)	1,514	(2,000)	(3,146)	(5,837)
Net income (loss) from continuing operations per common share	\$ (0.16)	0.24	(0.50)	(1.07)	(2.63)
Preferred stock	\$ -	503	503	503	503
Cash dividends declared per common share	\$ -	-	-	-	-

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

The information required in response to this item is contained in the Annual Report to Shareholders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations," and is incorporated herein by reference. The discussion and analysis of financial condition and results of operations should be read in conjunction with the consolidated financial statements and supplementary data contained in the Annual Report to Shareholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required in response to this item is contained in the Annual Report to Shareholders under the caption "Consolidated Financial Statements," and is incorporated herein by reference. Also, refer to Item 14 of this Report for the Index to Financial Statements.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required in response to this item will be contained in the Company's definitive Proxy Statement (the "Proxy Statement") for its Annual Meeting of Shareholders to be held May 22, 1997 under the caption "Management" and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information with respect to security ownership of certain beneficial owners and management is incorporated by reference to the section "Principal Shareholders" in the Proxy Statement for the Annual Meeting of Shareholders to be held on May 22, 1997.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required in response to this item will be contained in the Proxy Statement under the caption "Certain Transactions," and is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

1., 2. Financial Statements and Schedules

The Consolidated Financial Statements are incorporated by reference to the following pages from the 1996 Annual Report to Shareholders, attached hereto as Exhibit 13.1:

	Page
Consolidated Statements of Condition	6
Consolidated Statements of Income	7
Consolidated Statements of Changes in Shareholders' Equity	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10-22
Independent Auditors' Report	22

No schedules are required to be filed with this report.

3. Exhibits (Exhibits marked with a "*" denote management contracts

or compensatory plans or arrangements)

3.1 Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

3.2 By-laws of Wintrust Financial Corporation (incorporated by reference to pages AC-1 to AC-16 of Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.1 \$25 Million Revolving Loan Agreement between LaSalle National Bank and Wintrust Financial Corporation, dated September 1, 1996 (incorporated by reference to Exhibit 10.1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

- 10.2 Form of Wintrust Financial Corporation Warrant Agreement (incorporated by reference to Exhibit 10.29 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645), filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.3 Hinsdale Bancorp, Inc. 1993 Stock Option Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.4 Lake Forest Bancorp, Inc. 1991 Stock Option Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.5 Lake Forest Bancorp, Inc. 1993 Stock Option Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.6 Libertyville Bancorp, Inc. 1995 Stock Option Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.7 North Shore Community Bancorp, Inc. 1994 Stock Options Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.8 Crabtree Capital Corporation 1987 Stock Option Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.9 The Credit Life Companies, Incorporated 1987 Stock Option Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.10 First Premium Services, Inc. 1992 Stock Option Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.11 Wolfhoya Investments, Inc. 1995 Stock Option Plan (Barrington Bank and Trust Company Stock Option Plan) (incorporated by reference to Exhibit 10.11 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).*
- 10.12 North Shore Community Bancorp, Inc. 1993 Stock Rights Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*

- 10.13 Crabtree Capital Corporation 1990 Stock Purchase Plan (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.14 Phantom Stock Agreement between Lake Forest Bancorp, Inc. and Edward J. Wehmer (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.15 Phantom Stock Agreement between Libertyville Bancorp, Inc. and Edward J. Wehmer (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.16 Phantom Stock Agreement between North Shore Community Bancorp, Inc. and Anne M. Adams (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).*
- 10.17 Form of Warrant Agreement relating to the right to purchase shares of North Shore Community Bancorp, Inc. (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).
- 10.18 Lake Forest Bank & Trust Company Lease for drive-up facility located at the corner of Bank Lane & Wisconsin Avenue, Lake Forest, Illinois, dated December 11, 1992 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).
- 10.19 Lake Forest Bank & Trust Company Lease for banking facility located at 810 South Waukegan Road, Lake Forest, Illinois (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).
- 10.20 Lake Forest Bank & Trust Company Lease for banking facility located at 666 North Western Avenue, Lake Forest, Illinois, dated July 19, 1991 and Amendment (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).
- 10.21 Lake Forest Bank & Trust Company Lease for banking facility located at 103 East Scranton Avenue, Lake Bluff, Illinois, dated November 1, 1994 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.22 North Shore Bank & Trust Company Lease for banking facility located at 362 Park Avenue, Glencoe, Illinois, dated July 27, 1995 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.23 North Shore Bank & Trust Company Lease for banking facility located at 794 Oak Street, Winnetka, Illinois, dated June 16, 1995 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.24 Barrington Bank and Trust Company Lease for property located at 202A South Cook Street, Barrington, Illinois, dated December 29, 1995 (incorporated by reference to Exhibit 10.24 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

10.25 Real Estate Contract by and between Wolfhoya Investments, Inc. and Amoco Oil Company, dated March 25, 1996, and amended as of _____, 1996, relating to the purchase of property located at 201 South Hough, Barrington, Illinois (incorporated by reference to Exhibit 10.25 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

10.26 Form of Employment Agreement (entered into between the Company and each of Howard D. Adams, Chairman and Chief Executive Officer, and Edward J. Wehmer, President) (incorporated by reference to Exhibit 10.26 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).*

10.27 First Premium Services, Inc. Lease, as amended, for corporate offices located at Lake Cook Road, Deerfield, Illinois (incorporated by reference to Exhibit 10.27 to Amendment No. 1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on January 24, 1997).

10.28 Lake Forest Bank & Trust Company Lease for drive-up and walk-up facility located at 911 South Telegraph Road, Lake Forest, Illinois, dated November 7, 1996 (incorporated by reference to Exhibit 10.28 to Amendment No. 1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on January 24, 1997).

10.29 First Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle National Bank, Dated March 1, 1997.

13.1 Annual Report to Shareholders.

21.1 Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

27.1 Financial Data Schedule.

(b) Reports on Form 8-K

A report on Form 8-K/A, dated September 1, 1996 was filed with the Commission on November 7, 1996. The report was filed to include the required proforma financial information (Item 7.a) relating to the Company's reorganization transaction which was not available at the time of the initial filing on Form 8-K.

SIGNATURES

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

WINTRUST FINANCIAL CORPORATION

HOWARD D. ADAMS	HOWARD D. ADAMS ----- Chief Executive Officer	March 21, 1997
DAVID A. DYKSTRA	DAVID A. DYKSTRA -----	March 21, 1997

Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)

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

HOWARD D. ADAMS	HOWARD D. ADAMS ----- Chairman of the Board of Directors	March 21, 1997
EDWARD J. WEHMER	EDWARD J. WEHMER ----- President and Director	March 21, 1997
ALAN W. ADAMS	ALAN W. ADAMS ----- Director	March 21, 1997
JOSEPH ALAIMO	JOSEPH ALAIMO ----- Director	March 21, 1997
PETER CRIST	PETER CRIST ----- Director	March 21, 1997
MAURICE F. DUNNE, JR.	MAURICE F. DUNNE, JR. ----- Director	March 21, 1997
EUGENE HOTCHKISS III	EUGENE HOTCHKISS III ----- Director	March 21, 1997
JAMES KNOLLENBERG	JAMES KNOLLENBERG ----- Director	March 21, 1997

JOHN S. LILLARD	JOHN S. LILLARD ----- Director	March 21, 1997
JAMES E. MAHONEY	JAMES E. MAHONEY ----- Director	March 21, 1997
JAMES B. MCCARTHY	JAMES B. MCCARTHY ----- Director	March 21, 1997
MARQUERITE SAVARD MCKENNA	MARQUERITE SAVARD MCKENNA ----- Director	March 21, 1997
ALBIN F. MOSCHNER	ALBIN F. MOSCHNER ----- Director	March 21, 1997
HOLLIS W. RADEMACHER	HOLLIS W. RADEMACHER ----- Director	March 21, 1997
J. CHRISTOPHER REYES	J. CHRISTOPHER REYES ----- Director	March 21, 1997
JOHN N. SCHAPER	JOHN N. SCHAPER ----- Director	March 21, 1997
JOHN J. SCHORNACK	JOHN J. SCHORNACK ----- Director	March 21, 1997
JANE R. STEIN	JANE R. STEIN ----- Director	March 21, 1997
KATHERINE V. SYLVESTER	KATHERINE V. SYLVESTER ----- Director	March 21, 1997
LEMUEL H. TATE, JR.	LEMUEL H. TATE, JR. ----- Director	March 21, 1997
LARRY WRIGHT	LARRY WRIGHT ----- Director	March 21, 1997

SELECTED FINANCIAL HIGHLIGHTS

YEARS ENDED DECEMBER 31,

1996 1995 1994 1993 1992

(dollars in thousands, except per share data)

SELECTED FINANCIAL CONDITION DATA

(AT END OF PERIOD):

Total assets	\$ 706,037	\$ 470,890	\$ 354,158	\$ 188,590	\$ 82,864
Total deposits	618,029	405,658	221,985	98,264	42,996
Total loans	492,548	258,231	193,982	109,276	48,527
Notes payable and subordinated debt	22,057	10,758	6,905	4,837	16,050
Total shareholders' equity	42,620	40,487	25,366	17,227	11,291

SELECTED STATEMENT OF OPERATIONS DATA:

Net interest income	\$ 14,882	\$ 9,700	\$ 7,873	\$ 4,355	\$ 2,328
Net income (loss)(2)	(973)	1,497	(2,236)	(3,339)	(5,735)
Net income (loss) per common share (1)	(0.16)	0.24	(0.56)	(1.14)	(2.59)

SELECTED FINANCIAL RATIOS AND OTHER DATA:

Performance Ratios:

Net interest margin	2.91%	2.96%	3.35%	3.83%	3.85%
Net interest spread	2.40%	2.41%	3.07%	3.30%	2.87%
Non-interest income to average assets	1.34%	2.36%	0.57%	0.89%	1.05%
Non-interest expense to average assets(1)	4.05%	4.37%	4.14%	5.84%	10.77%
Net overhead ratio(1)	2.71%	2.01%	3.57%	4.95%	9.72%
Return on average assets(1)	(0.17)%	0.40%	(0.88)%	(2.60)%	(7.91)%
Return on average equity(1)	(2.33)%	4.66%	(12.20)%	(25.40)%	(46.01)%
Loan-to-deposit ratio	79.7%	63.7%	87.4%	111.2%	112.9%
Average interest-earning assets to average interest-bearing liabilities	110.73%	111.37%	106.61%	115.42%	116.93%

Asset Quality Ratios:

Non-performing loans to total loans	0.36%	0.74%	0.01%	0.00%	0.27%
Non-performing assets to total assets	0.25%	0.41%	0.01%	0.00%	0.16%
Allowance for possible loan losses to:					
Total loans	0.74%	1.07%	0.88%	1.24%	1.98%
Non-performing loans	204.15%	143.91%	N/M	N/M	N/M

Other Data at end of period:

Number of:					
Bank subsidiaries	5	4	3	2	1
Banking offices	14	11	5	3	1

Note: For 1993 through 1996, reflects results of those Banks then in operation or in organization, results of finance and leasing subsidiary operations (some of which have since been curtailed) and results of discontinued operations. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS." For 1992, reflects first full-year of Lake Forest Bank operations and results of finance and lease subsidiary operations (some of which have since been curtailed, sold or discontinued).

(1) For the year ended December 31, 1996, the Company recorded nonrecurring merger-related expenses of \$891,000.

DEAR SHAREHOLDERS,

Greetings to those of you who've been with us for so many years (actually, most of you can count those many years on one hand). And a special "Welcome to the family!" to all you new Wintrust shareholders. You joined us just in time for a historic event.

We are pleased to present the very first Wintrust Financial Corporation Annual Report.

1996 WAS A VERY BUSY YEAR.

We've expanded almost all our Banks' facilities and added new branches. We've added new services and products, too. And in Barrington, we even added a whole new bank in late December.

But the busiest business we conducted all year took place in September when the parent companies of all our then existing banks, Lake Forest Bank & Trust, Hinsdale Bank & Trust, North Shore Community Bank & Trust, Libertyville Bank & Trust, and of First Premium Services, Inc. were reorganized under Wintrust Financial Corporation.

This reorganization continues the sharing of the marketing, technology and finance functions. They'll also be able to combine their asset/liability management. It'll be easier for the new company to raise capital. First Premium can take advantage of the Banks' lower cost of funds to finance its loans. And all of us shareholders now have greater stock liquidity.

The restructuring was overwhelmingly approved by shareholders. Everybody's stock was exchanged for shares of Wintrust at a agreed-upon ratios. After this transaction, we had over 1,000 shareholders, and we officially became a publicly traded company.

THE BEST CHANGE IS THE ONE WE DIDN'T MAKE.

We strongly believe that the key to our Banks' success, past and future, lies in real local control and management. It's the main reason our present customers chose us over our larger competitors. It's also why new customers will come to us. So we worked especially hard to design operations that allow each bank to preserve its independence and keep its community connections.

Our local boards of directors will all stay in place. And each bank will continue to operate separately and to make decisions locally.

This will never change. It is the heart and soul of community banking, Wintrust style.

WERE LOCALLY CONTROLLED AND OPERATED.

In addition to First Premium, Wintrust Financial currently operates five de novo community banks in fifteen locations serving nineteen affluent suburban Chicago markets, and we have over \$700 million in assets. Our markets include the communities of Lake Forest, Lake Bluff, Hinsdale, Clarendon Hills, Western Springs, Burr Ridge, Wilmette, Glencoe, Winnetka, Kenilworth, Libertyville, Mundelein, Vernon Hills, Barrington, Barrington Hills, Lake Barrington, North and South Barrington and Inverness.

**** GRAPH OMITTED ****

This graph depicts a fair and accurate representation of the growth in year- end asset and deposit balances for 1992 through 1996.

Each of the Banks is controlled by a strong, hands-on, local board ranging in number from 15 to 22 members. The make-up of these boards includes local business, religious and community leaders, both men and women, and a wide range of talents and ages.

Each Bank is managed by a team of talented, professional bankers who average more than 20 years experience in the banking business and who are deeply involved in their local communities. Their experience and knowledge are key to their Bank's success. But just as important, and what sets them apart from their colleagues in other banks, is their enthusiasm for, and their belief in, community banking.

WARM WELCOMES AND A CUSTOMER FOCUS.

The large number of new customers each of our Banks signed up as soon as they opened their doors reflects the great desire that so many people have for community banking.

We admit that we've had help from some of our larger bank competitors. Their big bank behavior and extra fees have often sent customers away from their costly teller lines and into our friendly, community banks. But we made sure that when they came to us, they got the different kind of banking that they were looking for.

The important lesson here is that we can't forget what our customers want, need and deserve, or they will leave us, too. We must work hard to always be the bank that helps customers, that takes good care of them and their money, that provides loans when they need them.

COMMUNITY BANKING, WINTRUST STYLE.

Wintrust Financial has developed a relatively unique approach to de novo community banking. Our key business strategies include:

- o Maintaining local decision-making authority
- o Employing fewer, but more highly qualified and productive individuals
- o Providing a high level of personal and professional bank services
- o Utilizing aggressive marketing of innovative deposit and loan products customized to the local market needs
- o Building a portfolio of high quality loans
- o Augmenting the loan portfolio with selected loans from specialized asset niches
- o Expanding personal trust services
- o Pursuing new distribution methods for our premium finance business
- o Taking advantage of synergies between First Premium and the Banks
- o Continuing to differentiate our company from competition with innovative marketing

BUT FOR GOLIATH, WHO'D KNOW ABOUT DAVID?

Our competitors are the large regional and multi-national banks. They also include sizable local competitors. We relish this competition. In marketing each of our community banks, we often use a "David versus Goliath" approach. We've discovered that talking about their "bigness" helps us dramatize the many real advantages of our smallness. And it gets right to the heart of why people should move their deposit accounts and loans to our Banks.

**** GRAPH OMITTED ****

This graph depicts a fair and accurate representation of the growth in year-end loan balances for 1992 through 1996.

SIGNIFICANT GROWTH IN 1996.

In April, North Shore Community Bank and Trust opened a new facility in Winnetka. In August, Hinsdale Bank & Trust opened Clarendon Hills Bank. And our fifth bank, Barrington Bank & Trust, was introduced in December. Additionally, construction was begun on an expanded main bank facility in Hinsdale and our new Drive-Thru in West Lake Forest.

We believed that our exceptional customer service and competitive products were worth crowing about, so crow we did. Throughout the year, aggressive marketing campaigns underlined the benefits of our kind of community banking. That and the dedication of each and every staff member has contributed to the core deposit growth of our company. Our Banks increased deposits by a whopping 52% (+\$212 million) during 1996.

**** GRAPH OMITTED ****

This graph depicts a fair and accurate representation of the growth in the number of banking offices at each year-end for 1992 through 1996.

The growth in deposits was the primary reason for the increase in our year-end assets to about \$700 million. That's up about 50% from the end of 1995. More than \$700 million in assets? Only open since late 1991? Wow. It really does show our communities' acceptance of the kind of banking we're giving them.

Our lending staffs continue to introduce community oriented loan products and the results are beginning to show. Our loan portfolio grew to approximately \$493 million in 1996 from \$258 million in 1995. We've also supplemented our loan portfolio with a few specialized loan products. The two most significant specialized loan areas are the commercial insurance premium finance loans originated by First Premium and top quality automobile loans originated by our Hinsdale Bank. These accounted for about \$97 million of the 1996 loan growth. Your management and boards of directors are committed to strong credit quality, and we have originated only top quality loans.

FUTURE GROWTH VERSUS FASTER PROFITS.

Our eyes are definitely turned toward the future. We'll be investing in additional facilities, and continuing to hire experienced, top level managers. We'll also be expanding into additional markets and running aggressive marketing campaigns to grow market share.

Over the past few years, this has led to differences in our earnings pattern compared to other established community banks. Our relatively high growth rates came with temporarily high overhead ratios. These reflect the necessary start-up investment in human resources, marketing and facilities to create de novo banks and to open additional branches.

Also, upon entering new markets, we tend to offer highly competitive deposit and loan interest rates. This has helped us achieve market share. More importantly, it's helped us build a strong customer base in each of our markets. But, understandably, it has not allowed us to achieve our long-term interest margin goals as quickly as we could have if we hadn't been as aggressive.

All of our expansion activities have suppressed faster, opportunistic earnings. However, as the Company matures, the organization and start-up costs associated with future bank and branch openings will not have as significant an impact on earnings. (Also, 1996 earnings were impacted by about \$900,000 of non-recurring merger expenses.)

We strongly believe the early investments we've made in developing our young franchise, combined with the strength gained by placing the Banks and First Premium under one parent company,

will result in favorable returns to our shareholders and customers as Wintrust matures.

To that end, our long term financial goals are simple:

- o Net interest margin of 4 - 4 1/2%
- o Net overhead ratio of 1 1/2 - 2%
- o Return of assets of 1 1/4 - 1 1/2 %
- o Return on equity of 20 -25%

TWO KEY STRATEGIES.

In order to ensure our future profitability, we must increase our net interest margins and reduce our overhead ratios. This will be accomplished 1) by growing our earning asset niches and 2) by bringing our young Banks' overhead in line by growing deposits and loans to fit that overhead.

A community bank can't do this without going outside its customer base. A typical community bank, by its very nature, can depend on its local customers for only about half of its loan potential. Because of the extra 50% that's available, we've looked for profitable earning assets that will help us realize the full potential of our combined loan capacity. Indirect auto loans (high quality "A" paper), secured mortgage warehousing, and premium finance are some of the earning asset niches that the Company is now successfully pursuing.

FIRST PREMIUM, AN IMPORTANT PART OF OUR FUTURE.

First Premium is the only non-bank member of our Company. On the surface, their business is very simple. They provide short term, secured loans to pay insurance premiums (hence, the name) for businesses across the country. Companies use this type of loan to smooth out their cash flow.

Of course, that's only the surface. Underneath, it gets a bit more complicated. There's the necessity for lots of very smart money management. And very personal customer contact. And lightning fast communication and decisions. And highly competitive rates. And truly innovative products and systems. Like the Banks, First Premium has an experienced management team with many years in the premium finance business. And they do their job, on the surface and below it, very well.

First Premium, also a de novo organization, is in its sixth year of operation and, again like our banks, has done very well in a very short time. With national loan volume of about \$300 million in 1996, it has grown to be one of the ten largest premium finance companies in the U.S.

THE RESULTS ARE IN.

Our "Subscription and Community Offering" has been successfully completed. We've added over 1,500 new shareholders, most of whom live in the communities served by our Banks. Interest in the offering was high, with approximately 1.38 million shares sold verses our 1.3 million share goal. And you can now find out how your stock is doing by looking up Wintrust Financial Corporation in the Nasdaq National Market listings (WTFC).

**** **GRAPH OMITTED** ****

This graph depicts a fair and accurate representation of the growth in year- end shareholders' equity for 1992 through 1996, and an estimate of pro-forma equity based on the results of the recent common stock offering.

We raised \$21.4 million in capital which we'll use to reduce debt and to fund expansion. It'll also help us to maintain our aggressive pursuit of market share growth and allow us to open new community banks in select suburban Chicago markets while the community bank window of opportunity is open. In the future, we plan to fund growth through internal profitability and additional borrowing.

WE'VE MADE NO SMALL PLANS.

1997 brings fresh challenges to Wintrust Financial. We'll be constructing new banking facilities in Lake Forest, Hinsdale and Wilmette, and opening new branches for at least two of our banks. We hope to also open Wintrust bank #6 in late 1997. First Premium is targeted to grow by increasing our customer base and expanding market share with current customers. We will also be seeking shareholder approval to revamp our employee stock option plans. We would like to merge existing stock option plans for the Banks and First Premium and would like to allocate additional shares to keep the interests of our employees aligned with those of the Company.

SIC PARVIS MAGNA.

"Great things from small beginnings..."

Yours truly,

Howard D. Adams
Chairman & Chief Executives Officer

Edward J. Wehmer

President

P.S. The annual meeting of Wintrust Financial Corporation's shareholders is set for the evening of May 22, 1997. Please save the date.

*** MAP OMITTED ***

This page has a fair and accurate representation of the locations of the company's locations as presented on a map of the Chicago area.

CONSOLIDATED STATEMENTS

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

	YEARS ENDED DECEMBER 31,	
	1996	1995
ASSETS		
Cash and due from banks-noninterest bearing	\$ 36,581	12,622
Federal funds sold	38,835	55,812
Interest-bearing deposits with banks	18,732	50,600
Available-for-Sale securities, at fair value	69,387	57,887
Held-to-Maturity securities, at amortized cost, fair value of \$4,913 and \$4,959 in 1996 and 1995, respectively.	5,001	5,002
Loans, net of unearned income	492,548	258,231
Less: Allowance for possible loan losses	3,636	2,763
Net loans	488,912	255,468
Premises and equipment, net	30,277	23,999
Accrued interest receivable and other assets	16,426	8,919
Goodwill and organizational costs	1,886	581
Total assets	\$ 706,037	470,890
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest bearing	\$ 67,164	\$45,869
Interest bearing	550,865	359,789
Total deposits	618,029	405,658
Short-term borrowings	7,058	867
Notes payable	22,057	10,758
Other liabilities	16,273	13,120
Total liabilities	663,417	430,403
Shareholders' equity		
Preferred stock, 20,000,000 shares authorized; no shares issued and outstanding at December 31, 1996, and 113,063 issued and outstanding at December 31, 1995	-	503
Common stock, no par value; \$1.00 stated value; 30,000,000 shares authorized; 6,603,436 and 5,830,866 issued and outstanding at December 31, 1996 and 1995, respectively	6,603	5,831
Surplus	52,871	50,053
Common stock rights	-	-
Common stock warrants	100	75
Retained deficit	(16,963)	(15,990)
Net unrealized gains on Available-for-Sale securities, net of tax	9	15
Total shareholders' equity	42,620	40,487
Total liabilities and shareholders' equity	\$ 706,037	470,890

See accompanying notes to consolidated financial statements

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

	YEARS ENDED DECEMBER 31,		
	1996	1995	1994
INTEREST INCOME			
Interest and fees on loans	\$ 30,631	17,028	13,617
Interest-bearing deposits with banks	1,588	3,194	1,290
Federal funds sold	2,491	2,048	791
Securities	4,327	3,202	2,046
Total interest income	39,037	25,472	17,744
INTEREST EXPENSE			
Interest on deposits	22,760	14,090	5,498
Interest on short-term borrowings and notes payable	1,395	1,682	4,373
Total interest expense	24,155	15,772	9,871
NET INTEREST INCOME	14,882	9,700	7,873
Provision for possible loan losses	1,935	1,430	607
Net interest income after provision for possible loan losses	12,947	8,270	7,266
NONINTEREST INCOME			
Gain on sale of loans	3,078	4,421	-
Loan servicing fees	1,442	1,101	-
Fees on loans sold	1,393	850	399
Trust fees	522	399	202
Service charges on deposit accounts	468	196	112
Securities gains, net	18	-	21
Gain on settlement of contingencies (note 14)	-	735	-
Other	611	842	752
Total noninterest income	7,532	8,544	1,486
NONINTEREST EXPENSE			
Salaries and employee benefits	11,551	8,011	5,319
Occupancy, net	2,264	1,520	1,165
Data processing	1,014	624	335
Marketing	1,102	682	288
Amortization of deferred financing fees	542	768	641
Merger related expenses	891	-	-
Other	5,398	4,207	3,004
Total noninterest expense	22,762	15,812	10,752
Income (loss) from continuing operations before income taxes	(2,283)	1,002	(2,000)
Income tax benefit	(1,310)	(512)	-
Income (Loss) from continuing operations	(973)	1,514	(2,000)
Loss from operations of discontinued subsidiaries	-	(17)	(236)
NET INCOME (LOSS)	\$ (973)	1,497	(2,236)
NET INCOME (LOSS) PER COMMON SHARE	\$ (0.16)	0.24	(0.56)
WEIGHTED AVERAGE COMMON SHARES AND COMMON SHARE EQUIVALENTS	6,134	6,153	4,035

See accompanying notes to consolidated financial statements

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

	PREFERRED STOCK	COMMON STOCK	SURPLUS	NOTES RECEIVABLE FROM OFFICERS FROM SALE OF COMMON STOCK	COMMON STOCK WARRANTS	RETAINED EARNING (DEFICIT)	NET UNREALIZED GAIN (LOSS) AVAILABLE FOR SALE	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 1993	\$ 503	3,610	30,275	(58)	50	(17,169)	16	17,227
Payment of note receivable from Officer from sale of common stock	-	-	-	58	-	-	-	58
Issuance of common stock, net of issuance costs	-	1,016	8,965	-	-	-	-	9,981
Issuance of preferred stock	500	-	-	-	-	-	-	500
Issuance of warrant to acquire common stock	-	-	-	-	25	-	-	25
Conversion of preferred stock to common stock	(500)	119	381	-	-	-	-	-
Dividends on preferred stock	-	-	-	-	-	(37)	-	(37)
Allocation of undivided profit	-	-	(1,000)	-	-	1,000	-	-
Net loss	-	-	-	-	-	(2,236)	-	(2,236)
Change in net unrealized gain on securities available-for-sale, net of tax effect	-	-	-	-	-	-	(152)	(152)
Balance at December 31, 1994	503	4,745	38,621	-	75	(18,442)	(136)	25,366
Common stock issuance	-	1,086	12,432	-	-	-	-	13,518
Dividends on preferred stock	-	-	-	-	-	(45)	-	(45)
Allocation of undivided profit	-	-	(1,000)	-	-	1,000	-	-
Net income	-	-	-	-	-	1,497	-	1,497
Change in unrealized loss on securities available-for-sale, net of tax effect	-	-	-	-	-	-	151	151
Balance at December 31, 1995	503	5,831	50,053	-	75	(15,990)	15	40,487
Common stock issuance	-	567	1,298	-	-	-	-	1,865
Conversion of preferred stock	(503)	122	381	-	-	-	-	-
Repurchase of common stock	-	(4)	(44)	-	-	-	-	(48)
Purchase of Wolfhoya Investments, Inc.	-	87	1,190	-	25	-	-	1,302
Net loss	-	-	-	-	-	(973)	-	(973)
Cash payment of fractional shares	-	-	(7)	-	-	-	-	(7)
Change in net unrealized gain on securities available-for-sale, net of tax effect	-	-	-	-	-	-	(6)	(6)
BALANCE AT DECEMBER 31, 1996	\$ -	6,603	52,871	-	100	(16,963)	9	42,620

See accompanying notes to consolidated financial statements

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

	YEARS ENDED DECEMBER 31 ,		
	1996	1995	1994
OPERATING ACTIVITIES:			
Net income (loss)	\$ (973)	1,514	(2,000)
Adjustments to reconcile net income (loss) to net cash used for, or provided by, operating activities:			
Provision for possible loan losses	1,935	1,430	607
Depreciation and amortization	2,104	1,811	1,124
Deferred income tax benefit	(1,455)	(331)	-
Gain on sale of investment securities, net	(18)	-	(21)
Net accretion/amortization of investment securities	(1,924)	(390)	(97)
Net loss of discontinued operations	-	(17)	(236)
Decrease in net assets of discontinued operations	-	1,875	666
Increase in other assets, net	(5,273)	(4,813)	(1,809)
Decrease in other liabilities, net	2,285	1,907	6,533
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(3,319)	2,986	4,767
INVESTING ACTIVITIES:			
Proceeds from maturities of Available-for-Sale securities	308,424	80,234	8,900
Proceeds from sales of Available-for-Sale securities	498	5,006	4,944
Proceeds from maturities of Held-to-Maturity securities	-	64,766	31,320
Purchases of securities	(318,497)	(150,805)	(78,972)
Net decrease (increase) in interest bearing deposits	31,868	(8,401)	(29,000)
Net increase in loans	(235,420)	(62,649)	(85,764)
Other	-	-	(131)
Purchase of Wolfhaya Investments, Inc., net of cash acquired	(318)	-	-
Purchases of premises and equipment, net	(7,925)	(11,409)	(6,334)
NET CASH USED FOR INVESTING ACTIVITIES	(221,370)	(83,258)	(155,037)
FINANCING ACTIVITIES:			
Increase in deposit accounts	212,371	183,673	123,721
Increase (decrease) in short-term borrowings, net	6,191	(4,849)	70
Commercial paper notes originated	-	310,040	1,051,245
Commercial paper notes principal repaid	-	(393,020)	(1,027,677)
Proceeds from notes payable	22,057	5,822	4,542
Repayment of notes payable	(10,758)	(1,998)	(2,500)
Other, net	-	(257)	58
Repurchase of common stock	(48)	-	-
Cash value of fractional shares upon exchange of shares	(7)	-	-
Issuance of common stock	1,865	13,518	9,980
Issuance of preferred stock	-	-	500
Issuance of common stock warrants	-	-	25
Cash dividends paid on preferred shares	-	(45)	(37)
NET CASH PROVIDED BY FINANCING ACTIVITIES	231,671	112,884	159,927
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,982	32,612	9,657
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	68,434	35,822	26,165
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 75,416	68,434	35,822
Supplemental disclosures of cash flow information-cash paid during the year for:			
Interest paid	\$ 23,874	14,880	6,225
Income taxes paid	\$ 138	-	-

See accompanying notes to consolidated financial statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Wintrust Financial Corporation ("Wintrust" or "Company") is a multi-bank holding company currently engaged in the business of providing financial services through its banking subsidiaries to customers in the Chicago metropolitan area and financing the payment of insurance premiums, on a national basis, through its subsidiary, First Premium Services, Inc. ("First Premium"). First Premium is a wholly owned subsidiary of Crabtree Capital Corporation ("Crabtree"). As of December 31, 1996, Wintrust owned five bank subsidiaries ("Banks"), all of which were de novo institutions, including Lake Forest Bank & Trust Company ("Lake Forest"), Hinsdale Bank & Trust Company ("Hinsdale"), North Shore Community Bank & Trust Company ("North Shore"), Libertyville Bank & Trust Company ("Libertyville"), and Barrington Bank & Trust Company ("Barrington").

The consolidated Wintrust entity was formed on September 1, 1996 through a merger transaction (the "Reorganization") whereby the holding companies of Lake Forest, Hinsdale, Libertyville and First Premium were merged with newly formed wholly-owned subsidiaries of North Shore Community Bancorp, Inc. (which changed its name to Wintrust Financial Corporation concurrent with the merger). The merger transaction was accounted for in accordance with the pooling-of-interest method of accounting for a business combination. Accordingly, the consolidated financial statements included herein reflect the combination of the historical financial results of the five entities and the recorded assets and liabilities have been carried forward to the consolidated Company at their historical cost.

In the preparation of the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts contained in the consolidated financial statements. Management believes that the estimates made are reasonable; however, changes in estimates may be required if economic or other conditions change significantly beyond management's expectations.

Principles of Consolidation

The consolidated financial statements of Wintrust have been prepared in conformity with generally accepted accounting principles and prevailing practices of the banking industry. All material intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Securities

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

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

Trading account securities are stated at fair value; however, the Company did not maintain any trading account securities in 1996, 1995, or 1994.

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

Loans and Allowance for Possible Loan Losses Loans are recorded at the principal amount outstanding. Interest income is recognized when earned. The Company receives loan fees for loans originated, as well as for loan referrals. Fees and costs associated with loans originated by the Company are generally deferred and amortized over the life of the loan as an adjustment of yield using the interest method. Loan fees for referrals are recognized as income when received.

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

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

The allowance for possible loan losses is maintained at a level adequate to provide for possible loan losses. In estimating possible losses, the Company recognizes impaired loans. A loan is

considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due. Impaired loans are generally considered by the Company to be commercial and commercial real estate loans that are nonaccrual loans, restructured loans and loans with principal and/or interest at risk, even if the loan is current with all payments of principal and interest. Impairment is measured by determining the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral. If the fair value of the loan is less than the recorded book value, a valuation allowance is established as a component of the allowance for possible loan losses.

Mortgage Servicing Rights

On January 1, 1996, the Company adopted Financial Accounting Standards Board Statement No. 122, "Accounting for Mortgage Servicing Rights, an amendment to FASB Statement No. 65" (SFAS No. 122). SFAS No. 122 provides guidance for the recognition of mortgage servicing rights as a separate asset when servicing mortgage loans for others, regardless of how those rights are acquired. Also, SFAS No. 122 requires the measurement of impairment of those servicing rights based upon the difference between the carrying amount of the servicing rights and their current fair value with a valuation allowance utilized to account for the difference. The impact of the adoption of SFAS No. 122 was not material to the Company.

Serviced Premium Finance Receivables

Beginning in February, 1995, First Premium began selling its premium finance receivables to a wholly owned subsidiary, First Premium Financing Corporation ("FPFIN") which in turn sold the receivables to an independent third party who issued commercial paper to fund the purchase ("Commercial Paper Issuer"). FPFIN is a bankruptcy remote subsidiary established to facilitate the sale to the independent third party. First Premium retains servicing rights in connection with the sales of receivables. First Premium recognizes the contractual servicing and management fee income over the term of the receivables as it is earned. In addition, any excess income earned by the Commercial Paper Issuer above that which is required to fund interest on its outstanding commercial paper and provide for normal servicing to First Premium is payable as additional servicing ("Excess Servicing"). Excess Servicing income over the expected life of the receivables sold is estimated by First Premium at the time of each sale and recorded as a sales gain receivable on the financial statements of First Premium.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. For financial reporting purposes depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets ranging from three to ten years for equipment and the useful life or life of the lease for premises and leasehold improvements. Additions to premises are capitalized. Maintenance and repairs are charged to expense as incurred.

Long-lived Assets and Long-lived Assets to be Disposed of On January 1, 1996, the Company adopted Statement of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed Of," which requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment is measured based on the present value of expected future cash flows from the use of the asset and its eventual disposition. If the expected future cash flows are less than the carrying amount of the asset, an impairment loss is recognized based on current fair values. As the Company regularly reviews its long-lived assets for impairment and adjusts the carrying amounts as appropriate, the adoption of this statement did not have a material impact on the consolidated financial statements of the Company.

Intangible Assets

Goodwill, representing the cost in excess of the fair value of net assets acquired is primarily amortized on a straight-line basis over a period of 15 years.

Deferred organizational costs consist primarily of professional fees and other start-up costs and are being amortized over 5 years.

Trust Assets

Assets held in fiduciary or agency capacity for customers are not included in the consolidated financial statements as such are not assets of Wintrust or its subsidiaries. Fee income is recognized on an accrual basis for financial reporting purposes.

Income Taxes

Beginning September 1, 1996, Wintrust became eligible to file consolidated Federal and state income tax returns. The subsidiaries provide for income taxes on a separate return basis and remit to Wintrust amounts determined to be currently payable.

Prior to the Reorganization on September 1, 1996, Lake Forest, Hinsdale, Libertyville, North Shore, and First Premium and their respective holding companies each filed separate consolidated Federal and state income tax returns.

Tax benefits attributable to losses are recognized and allocated to the extent that such losses can be utilized in the consolidated return.

Wintrust and subsidiaries record income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Cash Equivalents

For purposes of the consolidated statement of cash flows, Wintrust considers all cash on hand, cash items in the process of collection, amounts due from correspondent banks and federal funds sold to be cash equivalents.

Earnings per Share

Earnings per share are calculated by dividing net income, after consideration of preferred stock dividends, by the weighted average number of shares of common stock and common stock equivalents outstanding during the period. Common stock equivalents are calculated using the treasury stock method. Because no active market for the Company's stock existed during the three years ended December 31, 1996, estimates of market value based on limited trading volume were used to determine the dilutive effects of the outstanding stock options, stock rights and stock warrants.

Discontinued Operations

The Company has presented as discontinued operations, the results of operations and loss on sale of certain insurance operating subsidiaries. Information regarding the results of operations are not presented as they are not deemed material by management.

Stock Option Plans

As of December 31, 1996, the Company adopted the disclosure requirements of Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation." The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized by the Company for its plans. Further disclosures are presented in note 12.

(2) SECURITIES The following tables present carrying amounts and gross unrealized gains and losses for the securities held-to-maturity and available-for-sale at December 31, 1996 and 1995 (in thousands). These tables are by contractual maturity which may differ from actual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	DECEMBER 31, 1996			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Held-to-maturity:				
U.S. Treasury - due in one to five years	\$ 5,001	-	(88)	4,913
Available-for-sale:				
U.S. Treasury - due in one year or less	9,688	3	(2)	9,689
Federal agencies - due in one year or less	19,642	4	(5)	19,641
Municipals - due in one year or less	317	-	-	317
Corporate notes - due in one year or less	32,986	5	(2)	32,989
Corporate notes - due in one to five years	5,216	19	(5)	5,230
Federal Reserve Bank stock	1,521	-	-	1,521
Total securities available-for-sale	69,370	31	(14)	69,387
Total securities	\$74,371	31	(102)	74,300

=====				
DECEMBER 31, 1995				
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE

Held-to-maturity:				
U.S. Treasury - due in one to five years	\$ 5,002	-	(43)	4,959

Available-for-sale:				
U.S. Treasury - due in one year or less	5,520	9	-	5,529
Federal agencies - due in one year or less	23,197	-	(17)	23,180
Federal agencies - due in one to five years	2,503	-	(12)	2,491
Corporate notes - due in one year or less	15,594	16	(3)	15,607
Corporate notes - due in one to five years	10,125	39	(9)	10,155
Federal Reserve Bank stock	925	-	-	925

Total securities available-for-sale	57,864	64	(41)	57,887

Total securities	\$62,866	64	(84)	62,846
=====				

In 1996, 1995 and 1994, Wintrust had gross realized gains on sales of available-for-sale securities of \$18,000, \$200 and \$21,000, respectively. Wintrust had no realized losses on sales of securities in 1996, 1995 and 1994. Proceeds from sales of available-for-sale securities during 1996, 1995 and 1994 were \$498,000, \$5,006,000 and \$4,944,000, respectively. At December 31, 1996 and 1995, securities having a carrying value of \$52,658,000 and \$29,240,000, respectively, were pledged as collateral for securities sold under agreement to repurchase, public deposits, and trust deposits. The Company had no securities sold under agreement to repurchase at December 31, 1996 and 1995.

The Financial Accounting Standards Board's (FASB's) issuance of A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt & Equity Securities, permitted the transfer of securities from the Held-to-Maturity classification to the Available-for-Sale classification during the period from November 15, 1995 to December 31, 1995, with no recognition of any related unrealized gain or loss in current earnings. On December 29, 1995, the amortized cost and net unrealized gain of Wintrust's portfolio of securities held-to-maturity transferred to the securities available-for-sale classification were \$59,356,000 and \$334,000, respectively.

(3) LOANS A summary of the loan portfolio by category at December 31, 1996 and 1995 is as follows (in thousands):

=====		
	1996	1995

Commercial and commercial real estate	\$ 182,403	101,271
Home equity	87,303	54,592
Residential	51,673	37,074
Premium finance	59,240	15,703
Indirect auto	91,211	38,831
Installment	23,717	12,524

	495,547	259,995
Less: Unearned finance charges	2,999	1,764

Total loans	\$ 492,548	258,231
=====		

Certain officers and directors of Wintrust and its subsidiaries and certain corporations and individuals related to such persons borrowed funds from the Banks. These loans totaling \$9,992,000 and \$4,430,000 at December 31, 1996 and 1995, respectively, were made at substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers.

(4) ALLOWANCE FOR POSSIBLE LOAN LOSSES A summary of the allowance for possible loan losses for years ending December 31, 1996, 1995 and 1994 is as follows (in thousands):

=====			
	1996	1995	1994

Allowance at beginning of period	\$ 2,763	1,702	1,357

Provision	1,935	1,430	607
Charge-offs-continuing operations	(520)	(290)	(60)
Charge-offs-discontinued operations	(583)	(109)	(205)
Recoveries	41	30	3
	-----	-----	-----
Allowance at end of period	\$ 3,636	2,763	1,702
	=====	=====	=====

The provision for possible loan losses is charged to operations, and recognized loan losses (recoveries) are charged (credited) to the allowance. At December 31, 1996, 1995 and 1994, non-accrual loans had a carrying value of \$1,686,000, \$1,778,000 and \$4,000, respectively.

At December 31, 1996 and 1995, loans that were considered to be impaired totaled \$1,444,000 and \$1,736,000, respectively, for which no specific allowance for loan losses was required as of and for the years then ended. The average balance

of impaired loans during 1996 and 1995 was approximately \$1,322,000 and \$930,000, respectively. All of the impaired loans are included in the nonaccrual loan amount listed above. Management evaluated the value of the loans primarily by using the fair value of the collateral. Interest income foregone on these loans during 1996 and 1995 was not material.

(5) **SERVICED RECEIVABLES AND SECURITIZATION FACILITY** Receivables sold and serviced by First Premium were \$52,070,000 and \$101,871,000 at December 31, 1996 and 1995, respectively. The receivables are sold pursuant to a securitization facility established February 2, 1995. Unamortized deferred costs associated with this facility amounted to approximately \$80,000 and \$461,000 at December 31, 1996 and 1995, respectively.

The securitization facility is an independent vehicle into which \$200 million of receivables may be sold and funded by the Commercial Paper Issuer, subject to certain terms and conditions. In connection with this facility, First Premium formed a wholly owned, bankruptcy remote subsidiary, FPFIN, to purchase the receivables from First Premium and simultaneously sell the receivables to the Commercial Paper Issuer. All the receivable sales are without recourse. The sale of loans to the Commercial Paper Issuer were accounted for as sales and, accordingly, the loans are not included in the consolidated financial position of the Company. FPFIN recognizes a gain at the time of each sale based on its estimate of excess servicing, as defined in Note 1, to be earned over the life of the receivables sold. All of FPFIN's accounts are maintained by First Premium and consolidated in the financial statements.

Also, pursuant to the Sales and Servicing Agreement, First Premium is required to maintain facility collateral at an amount equal to 105.5% of commercial paper outstanding. The amount of this overcollateralization is recorded as loans on the Company's consolidated financial statements and was \$4,854,000 and \$6,630,000 at December 31, 1996 and December 31, 1995, respectively.

Subsequent to the Reorganization on September 1, 1996, the premium finance loan originations have generally been sold to the Banks and consequently remain as an asset of the Company. Accordingly, the assets serviced by First Premium in the securitization facility are being reduced as the existing loans are repaid.

(6) **PREMISES AND EQUIPMENT, NET** A summary of premises and equipment at December 31, 1996 and 1995 is as follows (in thousands):

	1996	1995
Land	\$ 4,426	4,159
Buildings and improvements	22,024	16,422
Furniture and equipment	7,263	5,308
	33,713	25,889
Less accumulated depreciation and amortization	3,436	1,890
Premises and equipment, net	\$ 30,277	23,999

(7) **TIME DEPOSITS** Certificates of deposit in amounts of \$100,000 or more approximated \$159,668,000 and \$93,618,000, respectively, at December 31, 1996 and 1995. Interest expense related to these deposits approximated \$4,270,000, \$2,769,000 and \$955,000 for the periods ended December 31, 1996, 1995 and 1994, respectively.

(8) **COMMERCIAL PAPER** Prior to the formation of its current securitization facility on February 2, 1995, First Premium sold its premium finance receivables to First Premium Funding Corporation ("FPFC"), a special purpose corporation nominally capitalized by a third party, which issued commercial paper to fund its purchases. The commercial paper notes had maturities of 1 to 270 days, and were secured by the premium finance receivables. Due to the nominal third party capitalization of FPFC, the Company's consolidated financial statements include the results of operations and financial position of FPFC, including the related commercial paper.

The table below sets forth information concerning outstanding commercial paper and its related cost. These amounts are computed using the average daily balances during the period from January 1, 1995 through February 2, 1995.

JANUARY 1, 1995

THROUGH
FEBRUARY 2, 1995

Average amount outstanding	\$81,015,757
Maximum month-end amount outstanding during the period	\$85,000,000
Average yield at:	
End of period	6.10%
During the period	5.96%

A party provided credit enhancement ("Credit Enhancer") for commercial paper issued by FPFC. The Credit Enhancer also provided temporary liquidity to FPFC. As an incentive for the Credit Enhancer to participate in the facility, First Premium issued warrants to purchase its common stock and a subordinated promissory note with a face value of \$557,000 to the Credit Enhancer. In conjunction with the Reorganization, the Credit Enhancer exchanged its warrants to acquire First Premium stock for Wintrust common stock. The exercise price for the warrants were contributed to Wintrust by the warrant holder and the proceeds thereof were used to retire the subordinated promissory note held by the Credit Enhancer.

(9) NOTES AND LOANS PAYABLE A summary of notes and loans payable at December 31, 1996 and 1995, is as follows (in thousands):

	1996	1995
Revolving credit lines - secured		
Company	\$ 22,057	-
Banking subsidiaries	-	5,552
Premium finance subsidiary	-	200
Revolving credit line - unsecured	-	1,700
Subordinated notes payable	-	1,992
Note payable, other	-	1,314
	\$ 22,057	10,758

Effective September 1, 1996, the Company entered into a \$25 million revolving credit line, which bears interest at a floating rate equal to, at the Company's option, either the lender's prime rate or the London Inter-Bank Offered Rate plus 1.50%. This revolving credit line has a maturity date of September 1, 1997, and is secured by the stock of the subsidiary bank holding companies and the subsidiary banks, other than Barrington (see note 21). On March 18, 1997, the Company reduced the outstanding debt to approximately \$2.5 million by utilizing the proceeds from the common stock offering (see note 22).

Subsequent to the Reorganization, each of the following referenced notes and loans payable were retired.

Revolving credit lines - secured, premium finance subsidiary, represented amounts outstanding under a revolving loan agreement used to fund overcollateralization requirements for the securitization facility. The credit line provided a lien and first security interest in the retained premium finance receivables as well as restrictions on maintenance of various operating ratios and tangible net worth. The credit line provided financing up to a maximum of \$13 million with interest charged at prime or prime plus 1.5% depending upon the extent of funds borrowed.

Revolving credit lines - secured, banking subsidiaries, represented various financing arrangements to meet operating needs. These arrangements were 100% secured by the common stock of the banks and interest was charged at prime rate with commitment fees of 1/4 of 1% per annum on amounts undrawn.

Revolving credit line - unsecured represented amounts outstanding under a \$2.0 million loan arrangement. This loan was guaranteed by a shareholder of the Company.

Subordinated notes represented \$1.5 million due to a shareholder and \$492,000 representing advances from the Credit Enhancer of the securitization facility. The \$1.5 million note had interest charged at prime plus 0.5% to 1.5%. The note was repaid at the option of the holder through exercise of stock warrants issued in connection with the subordinated note.

Notes payable - other consisted principally of amounts borrowed to fund the purchase of banking subsidiary real estate and to cover initial start-up expenses. This note had interest charged at 9% per annum.

(10) LEASE EXPENSE AND OBLIGATIONS Gross rental expense for all operating leases was \$659,000, \$554,000 and \$497,000, in 1996, 1995 and 1994, respectively. Lease commitments are primarily for office space. Minimum gross rental commitments and minimum gross rental income as of December 31, 1996 for all noncancelable leases are as follows (in thousands):

	MINIMUM GROSS RENTAL EXPENSE	MINIMUM GROSS RENTAL INCOME
1997	\$ 649	59
1998	681	158
1999	705	158
2000	589	158
2001	464	158
2002 and thereafter	981	320
Total minimum future rentals	\$ 4,069	1,011

(11) INCOME TAXES Wintrust had no Federal or state income tax expense in each of the years in the three-year period ended December 31, 1996. In 1996 and 1995, the Company recorded a tax benefit of \$1.3 million and \$512,000, respectively, as management determined that the realization of certain deferred tax assets not previously recorded would more likely than not be recognized.

The components of the 1996 income tax benefit were a current income tax expense of approximately \$145,000 and a deferred income tax benefit of approximately \$1,455,000. In 1995, the benefit recorded was all a deferred income tax benefit.

Income taxes for 1996, 1995 and 1994 differ from the expected tax expense for those years (computed by applying the

applicable statutory U.S. Federal income tax rate of 34% to income before income taxes) as follows (in thousands):

YEAR ENDED DECEMBER 31,

	1996	1995	1994
Computed "expected" income tax expense (benefit)	\$ (776)	341	(679)
Increase (decrease) in tax resulting from:			
Change in the beginning-of-the-year balance of the valuation allowance for deferred tax assets	(853)	(698)	684
Merger costs	305	-	-
Other, net	14	(155)	(5)
Income tax benefit	\$ (1,310)	(512)	-

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 1996 and 1995 are presented below (in thousands):

	1996	1995
Deferred tax assets:		
Allowance for possible loan losses	791	503
Startup costs	291	425
Federal net operating loss carryforward	9,535	8,685
State net operating loss carryforward	1,667	1,496
Deferred compensation	263	-
Other, net	146	396
Total gross deferred tax assets	12,693	11,505
Valuation allowance	8,137	8,990
Total net deferred tax assets	4,556	2,515
Deferred tax liabilities:		
Premises and equipment, due to differences in depreciation	186	313
Accrual to cash adjustment	1,232	1,218
Unrealized gain on available-for-sale securities	8	114
Other, net	1,434	521
Total gross deferred tax liabilities	2,860	2,166
Net deferred tax assets	\$ 1,696	349

During 1994, realization of deferred tax assets was uncertain due to the lack of an adequate earnings history for Wintrust and its subsidiaries. As a result, in 1994, a valuation allowance was established for the portion of the gross deferred tax assets not offset by deferred tax liabilities. During 1995 and 1996, management determined that a valuation allowance should only be established for a portion of the deferred tax asset. This determination was made based upon the profitability attained by certain of the operating subsidiaries during 1995 and future earnings estimates. As such, management established a valuation allowance as indicated in the table above.

At December 31, 1996, Wintrust and its subsidiaries had Federal net operating losses of approximately \$28,044,000 and state net operating losses of approximately \$23,231,000. Such amounts are available for carryforward to offset future taxable income and expire in 2000-2010. Utilization of the net operating losses are subject to certain statutory limitations. Additionally, the federal net operating losses of the predecessor companies prior to the Reorganization are only available to be utilized by the respective companies that generated the losses.

(12) COMPENSATION PLANS

Wintrust, Lake Forest Bancorp, Inc., Hinsdale Bancorp, Inc., Libertyville Bancorp, Inc., Crabtree Capital Corporation and First Premium Services, Inc. have adopted various stock option plans (Plans) which provide options to purchase shares of Wintrust's common stock at the fair market value of the stock on the date the option is granted. The Plans permit the grant of incentive stock options, nonqualified stock options, and restricted stock. Collectively, the Plans cover substantially all employees of Wintrust. The incentive and nonqualified options expire at such time as the Stock Option Committee shall determine at the time of grant, however, in no case shall they be exercisable later than ten years after the grant. Under the subsidiary bank holding companies' Plans, the options generally vest at a rate of 10% in the first year subsequent to the grant, 10% in the second year subsequent to the grant, and continue to vest in 20% increments in years in which the respective subsidiary bank holding companies attain certain profitability levels. All of the Crabtree and First Premium options were or became fully vested during 1996.

A summary of the aggregate activity of the Plans for 1996, 1995 and 1994 is as follows:

	COMMON SHARES	RANGE OF STRIKE PRICES	WEIGHTED AVERAGE STRIKE PRICE
Outstanding at December 31, 1993	523,129	\$ 5.80-\$21.13	\$ 7.80
Granted	253,059	\$ 7.75-\$9.69	\$ 9.06
Exercised	1,935	\$ 7.24	\$ 7.24
Forfeited or canceled	22,249	\$ 7.24	\$ 7.24
Outstanding at December 31, 1994	752,004	\$ 5.80-\$21.13	\$ 8.23
Granted	168,029	\$ 9.30-\$14.53	\$ 11.56
Exercised	11,250	\$ 7.75	\$ 7.75
Forfeited or canceled	2,418	\$ 7.75-\$9.30	\$ 8.37
Outstanding at December 31, 1995	906,365	\$ 5.80-\$21.13	\$ 8.85
Granted	309,573	\$11.37-\$15.25	\$ 13.75
Exercised	13,690	\$ 6.31-\$9.69	\$ 8.27
Forfeited or canceled	52,924	\$ 6.31-\$21.13	\$ 10.81
Outstanding at December 31, 1996	1,149,324	\$ 5.80-\$21.13	\$ 10.10

At December 31, 1996, the weighted-average remaining contractual life of outstanding options was 7.0 years. Additionally, at December 31, 1996 and 1995, the number of options exercisable was 659,627 and 489,928, respectively, and the weighted-average per share exercise price of those options was \$8.62 and \$8.08, respectively.

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized for its stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the date of grant for awards under the stock option plans consistent with the method of Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" (Statement No. 123), the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (dollars in thousands):

		<u>YEAR ENDED DECEMBER 31,</u>	
		1996	1995

Net income	As reported	\$(973)	1,497
	Pro forma	(1,455)	1,456
Primary earnings per share	As reported	\$(0.16)	0.24
	Pro forma	(0.24)	0.24
=====			

The fair value of each option grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants during the years ended December 31, 1996 and 1995, respectively: dividend yield of 0% for each period; expected volatility of 20% for each period; risk free rate of return of 6.4% and 6.6%; and, expected life of 10 years for each period.

Under the provisions of Statement No. 123, pro forma net income reflects only options granted in 1996 and 1995. Therefore, the full impact of calculating compensation cost for stock options under Statement No. 123 is not reflected in the pro forma net income amounts presented above because compensation cost is reflected over the options' vesting period and compensation cost for options granted prior to January 1, 1995 is not considered.

Wintrust and its subsidiaries also provide 401(k) Retirement Savings Plans (401(k) Plans). The 401(k) Plans cover all employees meeting certain eligibility requirements. Contributions by employees are made through salary reductions at their direction, limited to \$9,500 annually. Employer contributions to the 401(k) Plans are made at the employer's discretion. Generally, participants completing 501 hours of service are eligible to share in an allocation of employer contributions. The Company's expense for the employer contributions to the 401(k) Plans was \$37,457, \$32,718, and \$22,986 in 1996, 1995 and 1994, respectively.

The Company does not currently offer other postretirement benefits such as health care or other pension plans.

(13) REGULATORY MATTERS Banking laws place restrictions upon the amount of dividends which can be paid to Wintrust by the Banks. Based on these laws, the Banks could, subject to minimum capital requirements, declare dividends to Wintrust without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. No cash dividends were paid to Wintrust by the Banks during the years ended December 31, 1996, 1995 and 1994.

The Banks are also required by the Federal Reserve Act to maintain reserves against deposits. Reserves are held either in the form of vault cash or balances maintained with the Federal Reserve Bank and are based on the average daily deposit balances and statutory reserve ratios prescribed by the type of deposit account. At December 31, 1996 and 1995, reserve balances of approximately \$2,512,000 and \$1,663,000, respectively, were required.

The Company and the Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Banks must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's and the Banks' capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy requires the Company and the Banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes, as of December 31, 1996, that the Company and the Banks meet all capital adequacy requirements to which they are subject.

As of December 31, 1996 the most recent notification from the Banks' primary federal regulator categorized the Banks as either well capitalized or adequately capitalized under the reg

ulatory framework for prompt corrective action. To be categorized as adequately capitalized, the Banks must maintain minimum total risk-based, Tier 1 risk-based, Tier 1 leverage ratios as set forth in the table. The Company's and the Banks' actual capital amounts and ratios as of December 31, 1996 are also presented in the table (dollars in thousands).

TOTAL CAPITAL (TO RISK WEIGHTED ASSETS):

	ACTUAL		TO BE ADEQUATELY CAPITALIZED BY REGULATORY DEFINITION	
	AMOUNT	RATIO	AMOUNT	RATIO
Consolidated	\$44,361	8.0%	\$44,338	8.0%
Lake Forest	17,303	8.7	15,995	8.0
Hinsdale	13,343	9.6	11,062	8.0
North Shore	14,983	11.7	10,288	8.0
Libertyville	8,606	13.6	5,047	8.0

TIER 1 CAPITAL (TO RISK WEIGHTED ASSETS):

	ACTUAL		TO BE ADEQUATELY CAPITALIZED BY REGULATORY DEFINITION	
	AMOUNT	RATIO	AMOUNT	RATIO
Consolidated	\$40,725	7.3%	\$22,169	4.0%
Lake Forest	16,022	8.0	7,997	4.0
Hinsdale	12,463	9.0	5,531	4.0
North Shore	14,184	11.0	5,144	4.0
Libertyville	8,256	13.1	2,523	4.0

TIER 1 CAPITAL (TO AVERAGE QUARTERLY ASSETS):

	ACTUAL		TO BE ADEQUATELY CAPITALIZED BY REGULATORY DEFINITION	
	AMOUNT	RATIO	AMOUNT	RATIO
Consolidated	\$40,725	6.4%	\$25,421	4.0%
Lake Forest	16,022	6.2	10,281	4.0
Hinsdale	12,463	8.2	6,063	4.0
North Shore	14,184	9.1	6,249	4.0
Libertyville	8,256	11.7	2,827	4.0

The ratios required for the Banks to be "well capitalized" by regulatory definition are 10.0%, 6.0%, and 5.0% for the Total Capital-to-Risk Weighted Assets, Tier 1 Capital-to-Risk Weighted Assets and Tier 1 Capital-to-Quarterly Assets ratios, respectively.

Barrington Bank, which is "well capitalized" in all capital categories is not presented above. That Bank's ratios are not meaningful because it opened during the last few weeks of 1996.

Subsequent to December 31, 1996, the Company raised additional capital through a public offering of its common stock (see note 22).

(14) **COMMITMENTS AND CONTINGENCIES** In connection with a purchase agreement for a subsidiary of Crabtree, a provision was made for additional contingent consideration pending the outcome of certain tax litigation and other contingencies of that subsidiary. If such contingencies were favorably resolved, Crabtree would have been required to contribute up to \$3,450,000 to the subsidiary. This additional capital contribution was fully reserved for in the Company's financial statements in 1987. In early 1995, the last remaining contingency under the purchase agreement was satisfied and in March, 1995, the subsidiary made a formal request of Crabtree for the maximum amount of the contribution. Crabtree disputed the amounts owed and in September, 1995, Crabtree reached a settlement with the subsidiary. Under the terms of the settlement agreement, Crabtree effectively bought out the minority shareholders of the subsidiary by having the subsidiary repurchase all of its stock held by the minority shareholders. A purchase price was negotiated which included a deemed capital contribution by Crabtree of \$1.7 million. As a result of this settlement, a gain of \$735,000 was recorded in 1995.

In the ordinary course of business, there are various other legal proceedings pending against the Company. Management considers that the aggregate liabilities, if any, resulting from such actions would not have a material adverse effect on the financial position of the Company.

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board Statement No. 107, "Disclosures about Fair Value of Financial Instruments", defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The following table presents the carrying amounts and estimated fair values of Wintrust's financial instruments at December 31, 1996 and 1995 (in thousands).

	AT DECEMBER 31, 1996		AT DECEMBER 31, 1995	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
Financial assets:				
Cash and demand balances from banks	\$ 36,581	36,581	12,622	12,622
Federal funds sold	38,835	38,835	55,812	55,812
Interest-bearing deposits at banks	18,732	18,732	50,600	50,600
Held-to-maturity securities	5,001	4,913	5,002	4,959
Available-for-sale securities	69,387	69,387	57,887	57,887
Loans	492,548	492,741	258,231	258,424
Allowance for possible loan losses	(3,636)	-	(2,763)	-
Accrued interest receivable	4,034	4,034	2,742	2,742
Financial liabilities:				
Non-maturity deposits	293,630	293,630	200,986	200,986
Deposits with stated maturities	324,399	325,380	204,672	206,170
Notes payable	22,057	22,057	10,758	10,758
Short-term borrowings	7,058	7,058	867	867
Accrued interest payable	930	930	649	649

Cash and demand balances from banks and Federal funds sold: The carrying value of cash and demand balances from banks approximates fair value due to the short maturity of those instruments.

Interest-bearing deposits at banks and securities: Fair values of these instruments are based on quoted market prices, when available. If quoted market prices are not available, fair values are based on quoted market prices of comparable assets.

Loans: Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are analyzed by type such as commercial, residential real estate, etc. Each category is further segmented into fixed and variable interest rate terms.

For variable-rate loans that reprice frequently, estimated fair values are based on carrying values. The fair value of residential real estate loans is based on secondary market sources for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value for other loans is estimated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate inherent in the loan.

Accrued interest receivable and accrued interest payable: The carrying value of accrued interest receivable and accrued interest payable approximates market value due to the relatively short period of time to expected realization.

Deposit liabilities: The fair value of deposits with no stated maturity, such as non-interest bearing deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand as of year-end (i.e. the carrying value). The fair value of certificates of deposit is based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently in effect for deposits of similar remaining maturities.

Notes payable and short-term borrowings: The carrying value of notes payable and short-term borrowings approximate fair value due to the relatively short period of time to maturity or repricing.

Commitments to extend credit and standby letters of credit: The fair value of commitments to extend credit is based on fees currently charged to enter into similar arrangements, the remaining term of the agreement, the present creditworthiness of the counterparty, and the difference between current interest rates and committed interest rates on the commitments. Because most of Wintrust's commitment agreements were recently entered into and/or contain variable interest rates, the carrying value of Wintrust's commitments to extend credit approximates fair value. The fair value of letters of credit is based on fees currently charged for similar arrangements.

(16) RELATED-PARTY TRANSACTIONS During 1994, 1995 and a portion of 1996, Crabtree's bank debt was guaranteed by a significant shareholder and principal officer of the Company. Crabtree agreed to pay a fee to this individual for the guarantee at a rate of 1.5% of the balance of the debt guaranteed. These transactions resulted in expense of \$22,087, \$32,973 and \$29,840 in 1996, 1995 and 1994, respectively, and are included in other expense on the Company's consolidated statements of operations.

(17) RIGHTS AND WARRANTS TO ACQUIRE COMMON STOCK The Company maintains a stock rights plan that entitles the holder to purchase one share of the Company's common stock at purchase prices ranging from \$7.75 to \$11.62 per share. The plan was adopted on December 1, 1993 and expires on December 1, 2003. The plan provides for the issuance of a total of 103,236 such rights. All of the stock rights under the plan have been awarded. As of December 31, 1996, none of the stock rights have been exercised.

The Company has also issued warrants to acquire common stock. The warrants entitle the holder to purchase one share of the Company's common stock at purchase prices ranging, at December 31, 1996, from \$14.85 to \$15.00 per share. There were 155,430 outstanding warrants to acquire common stock at December 31, 1996 with expirations dates ranging from December, 2002 through November, 2005.

(18) BUSINESS COMBINATION On September 1, 1996, Wintrust Financial Corporation (formerly known as North Shore Community Bancorp, Inc.) issued approximately 5.3 million shares of common stock and approximately 122,000 warrants to acquire common stock in exchange for all outstanding common stock and warrants, if applicable, of Lake Forest Bancorp, Inc., Hinsdale Bancorp, Inc., Libertyville Bancorp, Inc. and Crabtree Capital Corporation based upon exchange ratios approved by shareholders of each of the companies. The combination was accounted for under the pooling of interests method.

The results of operations previously reported by the separate enterprises and the combined amounts presented in the accompanying consolidated financial statements are summarized below (in thousands).

	EIGHT MONTHS ENDED AUGUST 31,	YEARS ENDED DECEMBER 31,	
	1996	1995	1994

Net interest income:			
Lake Forest Bancorp, Inc.	\$ 3,648	4,431	2,877
Hinsdale Bancorp, Inc.	2,380	2,067	573
North Shore Community Bancorp, Inc.	2,140	1,746	184
Libertyville Bancorp, Inc.	875	157	-
Crabtree Capital Corporation	366	1,299	4,239

Consolidated	\$ 9,409	9,700	7,873

Other noninterest income:			
Lake Forest Bancorp, Inc.	\$ 726	1,115	649
Hinsdale Bancorp, Inc.	507	572	237
North Shore Community Bancorp, Inc.	429	264	36
Libertyville Bancorp, Inc.	132	21	-
Crabtree Capital Corporation	3,352	6,572	564

Consolidated	\$ 5,146	8,544	1,486

Net income (loss):			
Lake Forest Bancorp, Inc.	\$ 545	1,015	508
Hinsdale Bancorp, Inc.	29	420	(893)
North Shore Community Bancorp, Inc.	(901)	(862)	(896)
Libertyville Bancorp, Inc.	(862)	(958)	-
Crabtree Capital Corporation	(727)	1,882	(955)

Consolidated	\$ (1,916)	1,497	(2,236)
=====			

(19) ACQUISITION On October 24, 1996, the Board of Directors approved the acquisition of Wolfhoya Investments, Inc. ("Wolfhoya"), a company organized prior to the reorganization of the Company (see note 18) by certain directors and executive officers of the Company for purposes of organizing a de novo bank in Barrington, Illinois. Also, on October 24, 1996, an Agreement and Plan of Merger by and between Wintrust Financial Corporation and Wolfhoya Investments, Inc. was executed. The Company issued an aggregate of 87,556 shares of Common Stock to complete the acquisition which was accounted for under the purchase method and, accordingly, the results of operations are included in the Consolidated Statements of Operations from the date of acquisition. In addition, there were outstanding common stock warrants and stock options of Wolfhoya that, as a result of the transaction, converted by their terms into Warrants to purchase 16,838 shares and Options to purchase 68,534 shares of Common Stock of the Company, all at the adjusted exercise price of \$14.85 per share. As part of the transaction, the Company assumed approximately \$502,000 of Wolfhoya's outstanding debt which amount was refinanced under the Company's revolving line of credit. Barrington Bank and Trust Company, the de novo bank which Wolfhoya began organizing, opened for business on December 19, 1996.

(20) WINTRUST FINANCIAL CORPORATION
(Parent Company Only)

The Company's condensed balance sheets as of December 31, 1996 and 1995, and the related condensed statements of operations and cash flows for the three years ended December 31, 1996 are as follows (in thousands, except per share data):

WINTRUST FINANCIAL CORPORATION (Parent Company Only)
BALANCE SHEET DATA

YEARS ENDED DECEMBER 31,

	1996	1995
ASSETS		
Cash	\$ 63	1,113
Investment in subsidiaries	62,262	39,162
Due from subsidiary	785	-
Other assets	1,834	212
Total assets	\$ 64,944	40,487
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other liabilities	\$ 267	-
Notes payable	22,057	-
Shareholders' equity	42,620	40,487
Total liabilities and shareholders' equity	\$ 64,944	40,487

WINTRUST FINANCIAL CORPORATION (Parent Company Only)
STATEMENTS OF OPERATION DATA

YEARS ENDED DECEMBER 31,

	1996	1995	1994
INCOME			
Interest income	\$ 3	-	26
Other income	-	-	19
Total income	3	-	45
EXPENSES			
Interest expense	383	-	12
Salaries and employee benefits	107	-	243
Merger	173	-	-
Other	213	56	95
Goodwill and organizational cost amortization	26	14	9
Total expenses	902	70	359
Loss before income taxes and equity in undistributed net income (loss) of subsidiaries	(899)	(70)	(314)
Income tax benefit	(257)	-	-
Loss before equity in undistributed net income (loss) of subsidiaries	(642)	(70)	(314)
Equity in undistributed net income (loss) of subsidiaries	(331)	1,567	(1,922)
Net income (loss)	\$ (973)	1,497	(2,236)
Net income (loss) per common share	\$ (0.16)	0.24	(0.56)

WINTRUST FINANCIAL CORPORATION (Parent Company Only)
STATEMENTS OF CASH FLOWS

**YEARS ENDED DECEMBER 31,
YEARS ENDED DECEMBER 31,**

	1996	1995	1994
Operating activities:			
Net income (loss)	\$ (973)	1,497	(2,236)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of goodwill and organizational costs	26	14	9
Deferred income tax benefit	(257)	-	-
Decrease in other assets	64	92	120
Increase in other liabilities	267	-	-
Equity in undistributed net income (loss) of subsidiaries	(331)	1,567	(1,922)
Net cash provided by (used for) operating activities	(1,204)	3,170	(4,029)
Investing activities:			
Capital infusions to subsidiaries	(22,610)	(16,557)	(5,471)
Purchase of Wolfhoya Investments, Inc., net of cash acquired	(318)	-	-
Net cash used for investing activities	(22,928)	(16,557)	(5,471)
Financing activities:			
Common stock issuance, net	1,858	13,518	9,981
Preferred stock issuance	-	-	500
Dividends on preferred stock	-	(45)	(37)
Issuance of common stock warrants	-	-	25
Repurchase of common stock	(48)	-	-
Increase in notes payable	22,057	-	-
Advances to subsidiaries	(785)	-	-
Other	-	-	58
Net cash provided by financing activities	23,082	13,473	10,527
Net (decrease) increase in cash	(1,050)	86	1,027
Cash at beginning of year	1,113	1,027	-
Cash at end of year	\$ 63	1,113	1,027

(21) NET INCOME (LOSS) PER AVERAGE COMMON SHARE The following table sets forth the number of shares and the net income used to determine net income per common share for 1996, 1995, and 1994 (in thousands, except per share data):

		1996	1995	1994
Net income (loss) available for common shareholders	(A) \$	(973)	1,452	(2,273)
Average common shares outstanding		6134	5,315	4,035
Average common share equivalents		-	838	-
Weighted average common shares and common share equivalents	(B)	6,134	6,153	4,035

Net income (loss) per average common share (A/B) \$ (0.16) 0.24 (0.56)

Common share equivalents result from stock options, stock rights and stock warrants being treated as if they had been exercised and are computed by application of the treasury stock method. No common share equivalents were assumed to be outstanding for the years ended December 31, 1996, and December 31, 1994, because accounting standards require that the computation of earnings per share shall not give effect to common stock equivalents for any period in which their inclusion would have the effect of decreasing the loss per share amount otherwise computed.

(22) SUBSEQUENT EVENT - COMMON STOCK OFFERING Effective March 18, 1997, the Company completed its offering of common stock whereby an aggregate of 1,377,512 shares of the common stock were sold at a price of \$15.50 per share. Of the total shares sold, 977,512 shares were sold through a direct subscription and community offering by the Company. The remaining 400,000 shares were underwritten by EVEREN Securities, Inc. In addition, the Company has granted EVEREN Securities, Inc. a 30-day option to purchase up to an additional 60,000 shares upon the same terms.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Wintrust Financial Corporation:

We have audited the accompanying consolidated statements of condition of Wintrust Financial Corporation and subsidiaries (the "Company") as of December 31, 1996 and 1995, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. Separate financial statements of Crabtree Capital Corporation and subsidiaries included the 1995 consolidated statement of condition and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the two year period ended December 31, 1995, were audited by other auditors whose report dated May 20, 1996, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wintrust Financial Corporation and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 1996, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

Chicago, Illinois
March 18, 1997

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

The following discussion should be read in conjunction with "Selected Financial Highlights" and the Company's Consolidated Financial Statements and Notes thereto. In addition to historical information, the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from those anticipated in these forward-looking statements.

GENERAL

The profitability of the Company's operations depends primarily on its net interest income, provision for possible loan losses, non-interest income, and non-interest expense. Net interest income is the difference between the income the Company receives on its loan and investment portfolios and its cost of funds, which consists of interest paid on deposits and borrowings. The provision for possible loan losses reflects the cost of credit risk in the Company's loan portfolio. Non-interest income consists of gains on sales of loans, loan servicing fees, fees on loans sold, trust fees, and miscellaneous fees and income. Non-interest expense includes salaries and employee benefits as well as occupancy, data processing, marketing, and other expenses. Non-interest expense also includes amortization of deferred financing fees and, in 1996, certain non-recurring merger-related expenses.

Net interest income is dependent on the amounts and yields of interest-earning assets as compared to the amounts and rates on interest-bearing liabilities. Net interest income is sensitive to changes in market rates of interest and the Company's asset/liability management procedures in coping with such changes. The provision for loan losses is dependent on increases in the loan portfolio, management's assessment of the collectibility of the loan portfolio, as well as economic and market factors. Gain on sale of loans and loan servicing fees relate principally to the Company's historical practice of selling insurance premium finance loans originated into the secondary market through a securitization facility. The Company's current strategy is to retain more premium finance loans in the Banks' loan portfolios. As a result, the Company expects in the future to report relatively higher net interest income as a result of retaining these relatively higher-yielding assets in the Company's portfolio and relatively lower gains on sale of insurance premium finance loans and related loan servicing fee income. Fees on loans sold relate to the Company's practice of originating long-term fixed-rate mortgage loans for sale into the secondary market in order to satisfy customer demand for such loans while avoiding the interest-rate risk associated with holding long-term fixed-rate mortgages in the Banks' portfolios. These fees are highly dependent on the volume of real estate transactions and mortgage refinancing activity. Substantially all of the fees on loans sold related to the servicing rights that have been sold along with the mortgage loans. The Company earns trust fees for managing and administering investment funds for individuals and small businesses. Miscellaneous fees and income include service charges on deposit accounts and for ancillary banking services. Non-interest expenses are heavily influenced by the growth of operations, with additional employees necessary to staff new banks and to open new branch facilities and marketing expenses necessary to promote them. Growth in the number of account relationships directly affects such expenses as data processing costs, supplies, postage and other miscellaneous expenses.

CHARACTERISTICS OF THE COMPANY'S PROFITABILITY

The nature of the Company's de novo bank strategy has led to, and will likely continue to lead to, differences in earnings patterns as compared to other established community banking organizations. The Company's net interest margin, which has ranged from 2.91% to 3.35% over the last three years, is low compared to industry standards for a variety of reasons. Upon entering new markets, the Company has aggressively pursued business through competitive rates in order to garner market share. The Company has been cautious in its loan origination activities, focusing on strong borrowers who often command favorable loan rates. Finally, the Company has maintained a relatively shorter term, and therefore lower-yielding, investment portfolio, in order to facilitate loan demand as it emerges, provide funds to retain increasingly larger amounts of insurance premium finance loans in the portfolio, and maintain excess liquidity in the event deposit levels fluctuate.

Similarly, as the Company has been growing its balance sheet at relatively high rates over the past five years, the Company has experienced high overhead levels in relation to its assets, reflecting the necessary start-up investment in human resources and facilities to organize additional de novo banks and open new branch facilities. For the last three fiscal years, the net overhead ratio has declined from 3.57% in 1994 to 2.71% in 1996, and is further reduced to 2.55% in 1996 excluding the non-recurring merger expenses. The Company expects that as its existing Banks mature, the organizational and start-up expenses associated with future de novo banks and new banking offices will not have as significant an impact on the Company's overhead ratio.

DE NOVO BANK FORMATION AND BRANCH OPENING ACTIVITY

The following table illustrates the progression of Bank and branch openings that have impacted the Company's results of operations over the past five years.

MONTH	YEAR	BANK	LOCATION	TYPE OF FACILITY
December	1996	Barrington Bank	Barrington, Illinois	Bank
August	1996	Hinsdale Bank	Clarendon Hills, Illinois(1)	Branch
May	1996	North Shore Bank	Winnetka, Illinois	Branch
November	1995	North Shore Bank	Wilmette, Illinois	Drive-up/walk-up
October	1995	Hinsdale Bank	Hinsdale, Illinois	Drive-up/walk-up
October	1995	Libertyville Bank	Libertyville, Illinois	Bank
October	1995	Libertyville Bank	Libertyville, Illinois	Drive-up/walk-up
October	1995	North Shore Bank	Glencoe, Illinois	Branch
May	1995	Lake Forest Bank	West Lake Forest, Illinois	Branch
December	1994	Lake Forest Bank	Lake Bluff, Illinois	Branch
October	1994	North Shore Bank	Wilmette, Illinois	Bank
April	1994	Lake Forest Bank	Lake Forest, Illinois	New permanent facilities
October	1993	Hinsdale Bank	Hinsdale, Illinois	Bank
April	1993	Lake Forest Bank	Lake Forest, Illinois	Drive-up/walk-up
December	1991	Lake Forest Bank	Lake Forest, Illinois	Bank

(1) Operates in this location as Clarendon Hills Bank, a branch of Hinsdale Bank.

REORGANIZATION

Effective September 1, 1996, pursuant to the terms of a reorganization agreement dated as of May 28, 1996, which was approved by shareholders of all of the parties, the Company completed a reorganization transaction to combine the separate activities of the holding companies of each of the Company's operating subsidiaries (other than Barrington Bank which was opened in December 1996). As a result of the transaction, the Company (formerly known as North Shore Community Bancorp, Inc., the name of which was changed to Wintrust Financial Corporation in connection with the reorganization) became the parent holding company of each of the separate businesses, and the shareholders and warrant holders of each of the separate holding companies exchanged their shares for Common Stock and their warrants for a combination of shares of Common Stock and Warrants of the Company (the "Reorganization"). The Reorganization was accounted for as a pooling-of-interests transaction and, accordingly, the Company's financial statements have been restated on a combined and consolidated basis to give retroactive effect to the combined operations throughout the reported historical periods.

AVERAGE BALANCE SHEETS, INTEREST INCOME AND EXPENSE AND INTEREST RATE YIELDS AND COSTS

The following table sets forth the average balances, the interest earned or paid thereon, and the effective interest rate yield or cost for each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 1996, 1995, and 1994. The yields and costs include fees which are considered adjustments to yields. Interest income on non-accruing loans is reflected in the year that it is collected. Such amounts are not material to net interest income or net change in net interest income in any year. Non-accrual loans are included in the average balances and do not have a material effect on the average yield. This table should be referred to in conjunction with this analysis and discussion of the financial condition and results of operations (dollars in thousands).

	1996			1995			1994		
	AVERAGE BALANCE (1)	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE (1)	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE (1)	INTEREST	AVERAGE YIELD/ COST
ASSETS									
Interest bearing deposits with banks	\$28,382	\$1,588	5.60%	\$51,159	\$3,194	6.24%	\$28,077	\$1,290	4.59%
Federal funds sold	47,199	2,491	5.28	35,172	2,048	5.82	18,323	791	4.32
Investment securities	88,762	4,327	4.87	58,015	3,202	5.52	40,721	2,046	5.02
Loans, net of unearned discount	347,076	30,631	8.83	183,614	17,028	9.27	148,209	13,617	9.19
Total earning assets	511,419	39,037	7.63	327,960	25,472	7.77	235,330	17,744	7.54
Cash and due from banks-non-interest bearing	13,911			8,031			5,026		
Allowance for possible loan losses	(3,247)			(2,038)			(1,447)		
Premises and equipment, net	26,586			17,687			9,034		
Other assets	13,575			10,485			11,460		
Total assets	\$562,244			\$362,125			\$259,404		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Deposits-interest bearing:									
NOW accounts	\$45,144	1,713	3.79%	\$23,214	844	3.64%	\$7,586	202	2.66%
Savings and money market deposits	139,150	5,659	4.07	106,247	4,541	4.27	80,324	3,210	4.00
Time deposits	261,502	15,388	5.88	140,724	8,705	6.19	44,709	2,086	4.67
Total interest-bearing deposits	445,796	22,760	5.11	270,185	14,090	5.21	132,619	5,498	4.15
Short-term borrowings	809	34	4.20	10,238	474	4.63	78,741	3,577	4.54
Term-debt and subordinated debt	15,242	1,361	8.93	14,044	1,208	8.60	9,373	796	8.49
Total interest-bearing liabilities	461,847	24,155	5.23	294,467	15,772	5.36	220,733	9,871	4.47
Non-interest bearing deposits	51,249			29,304			15,593		
Other liabilities	7,420			7,181			4,445		
Shareholders' equity	41,728			31,173			18,633		
Total liabilities and shareholders' equity	\$562,244			\$362,125			\$259,404		
Net interest income/spread		\$14,882	2.40%		\$9,700	2.41%		\$7,873	3.07%
Net interest margin			2.91%			2.96%			3.35%

(1) Average balances were generally computed using daily balances.

CHANGES IN INTEREST INCOME AND EXPENSE

The following table shows the dollar amount of changes in interest income and expense by major categories of interest-earning assets and interest-bearing liabilities attributable to changes in volume or rate or both, for the periods indicated (in thousands):

	YEAR ENDED DECEMBER 31,					
	1996 COMPARED TO 1995			1995 COMPARED TO 1994		
	CHANGE DUE TO RATE	CHANGE DUE TO VOLUME	TOTAL CHANGE	CHANGE DUE TO RATE	CHANGE DUE TO VOLUME	TOTAL CHANGE
Interest bearing deposits with banks	\$ (304)	(1,302)	(1,606)	579	1,325	1,904
Federal funds sold	(206)	649	443	346	911	1,257
Investment securities	(410)	1,535	1,125	218	938	1,156
Loans, net of unearned discount	(861)	14,464	13,603	129	3,282	3,411
Total interest income	(1,781)	15,346	13,565	1,272	6,456	7,728
NOW accounts	39	830	869	97	545	642
Savings and money market deposits	(229)	1,347	1,118	236	1,095	1,331
Time deposits	(444)	7,127	6,683	872	5,747	6,619
Short-term borrowings	(40)	(400)	(440)	70	(3,173)	(3,103)
Term debt and subordinated debt	47	106	153	10	402	412
Total interest expense	(627)	9,010	8,383	1,285	4,616	5,901
Net interest income	\$ (1,154)	6,336	5,182	(13)	1,840	1,827

The changes in net interest income are complicated to assess and require significant analysis to fully understand. However, it is clear that the change in the Company's net interest income for the periods under review was predominantly impacted by the growth in the volume of the overall interest-earning assets and interest-bearing deposit liabilities. In the table above, volume variances are computed using the change in volume multiplied by the previous year's rate. Rate variances are computed using the change in rate multiplied by the previous year's volume. The change in interest due to both rate and volume has been allocated between factors in proportion to the relationship of the absolute dollar amounts of the change in each.

ANALYSIS OF FINANCIAL CONDITION

The dynamics of community bank balance sheets is generally dependent upon the ability of management to attract additional deposit accounts to fund the growth of the institution. This is the current situation at the Company as it is a group of relatively new institutions which are still diligently attempting to establish themselves as the bank of choice in a significant amount of households and businesses in the communities they serve. Accordingly, the discussion of the financial condition of the Company will focus first on the sources of funds received through the liability side of the balance sheet which is predominantly deposit growth. After it is understood how the Company was funded during the periods under discussion, the latter section of this "Analysis of Financial Condition" discussion will focus on the asset categories where the Company invested the funds.

Deposits. The Company has experienced significant growth in deposits over the past three years primarily as a result of de novo bank formations and new branch openings. Total deposit balances increased 52.4% to \$618.0 million at December 31, 1996 compared to \$405.7 million at December 31, 1995.

The following table presents deposit balances by the Banks and the relative percentage of total deposits held by each Bank at December 31 during the past three years (dollars in thousands):

	1996		1995		1994	
	DEPOSIT BALANCES	PERCENT OF TOTAL	DEPOSIT BALANCES	PERCENT OF TOTAL	DEPOSIT BALANCES	PERCENT OF TOTAL
Lake Forest	\$ 251,906	40%	\$ 181,186	45%	\$ 126,067	57%
Hinsdale	140,873	23	104,402	26	59,182	27
North Shore	153,878	25	93,657	23	36,736	16
Libertyville	67,490	11	26,413	6	-	-
Barrington	3,882	1	-	-	-	-
Total Deposits	\$ 618,029	100%	\$ 405,658	100%	\$ 221,985	100%
Percentage increase from prior year-end	52.4%		82.7%		125.9%	

Other liabilities. Other liabilities, consisting of accrued interest payable and other accrued expenses, increased to \$16.3 million at December 31, 1996 from \$13.1 million at December 31, 1995.

Short-term borrowings: Short-term borrowings fluctuate based on daily liquidity needs of the Banks and First Premium. At December 31, 1996 and 1995, short-term borrowings consisted of Federal Funds purchased and treasury, tax and loan note option accounts. During the first quarter of 1995, First Premium also had short-term commercial paper borrowings to fund its originated loan recorded on their financial statements; however, in February 1995, First Premium entered into a new securitization facility whereby the accounting treatment dictated that the loans sold pursuant to the securitization facility be treated as sales and First Premium's related short-term commercial paper borrowings were consequently eliminated. As a result, the average balance of short-term borrowings declined in 1996 to \$809,000 from \$10.2 million in 1995.

Notes payable: As of December 31, 1996, the balance of notes payable represented the amount due under a \$25 million revolving credit line of credit. The line of credit bears interest at a floating rate equal to, at the Company's option, either the lender's prime rate or the London Inter-Bank Offered Rate plus 1.50%. This revolving credit line is secured by the stock of the subsidiary bank holding companies and the subsidiary Banks, other than Barrington. The balance outstanding increased to \$22.1 million at December 31, 1996 from \$10.8 million at December 31, 1995, primarily as a result of additional borrowings to fund the growth of the Company's banking subsidiaries and to partially capitalize Barrington Bank in December, 1996. On March 18, 1997, the Company reduced the outstanding debt to approximately \$2.5 million by utilizing the proceeds from the common stock offering.

Total assets and earning assets. The Company's total assets and earning assets were \$706.0 million and \$624.5 million, respectively, at December 31, 1996 compared to \$470.9 million and \$427.5 million, respectively, at December 31, 1995. These asset increases during 1996 follow increases in 1995 from year-end 1994 levels of \$354.2 million and \$322.5 million, respectively. The increase in total assets and earning assets is attributable to the 52.4% increase in the Banks' core deposit balances. Continued marketing efforts and a full year of operations of the five banking offices opened in late 1995, combined with opening of three additional banking facilities during 1996, contributed to the strong growth. The Company had 14 total banking facilities at the end of 1996 compared to 11 at the end of 1995.

Loans: The composition of earning assets has shifted as the Company increased the level of deposit funds invested into loans from shorter-term money market investments. Loans comprised 78.9% and 60.4% of total earning assets at December 31, 1996 and December 31, 1995, respectively. Total loans, net of unearned discount, increased 90.7%, from \$258.2 million in 1995 to \$492.5 million in 1996. The following table presents loan balances by category at December 31, 1996 and 1995 (dollars in thousands).

	1996		1995	
	PERCENT OF TOTAL	PERCENT OF TOTAL	PERCENT OF TOTAL	PERCENT OF TOTAL
Commercial and commercial real estate	\$182,403	37%	\$101,271	39%
Home equity	87,303	18	54,592	21
Indirect auto	89,999	18	37,323	15
Residential real estate	51,673	10	37,074	14
Premium finance	57,453	12	15,447	6
Other loans	23,717	5	12,524	5
Total loans	\$492,548	100%	\$258,231	100%

The growth in the loan portfolio has occurred in each major loan category. The growth in the Company's commercial and commercial real estate, home equity, and residential real estate portfolios is primarily due to the growth in the number of bank and branch locations of the Company and the maturation of the existing banks.

In order to minimize the time lag typically experienced by de novo banks in redeploying deposits into higher yielding earning assets, the Company is developing lending programs focused on specialized earning asset niches having large volumes of homogeneous assets that can be acquired for the Banks' portfolios and possibly sold in the secondary market to generate fee income. Currently, the Company's two largest loan niches are premium finance loans generated by First Premium and indirect auto loans.

Premium finance loans. The Company's most significant specialized earning asset niche is comprised of commercial insurance premium finance loans. The Company originates premium finance loans at First Premium which generally sells them to the Banks or funds the loans through asset securitization facilities. All premium finance loans, however financed, are subject to the Company's stringent credit standards, and substantially all such loans are made to commercial customers. The Company rarely finances consumer insurance premiums, which are regarded by management as riskier loans. At December 31, 1995, substantially all of the premium finance loans were sold through an asset securitization facility; however, subsequent to the September 1, 1996 merger transaction, premium finance loan originations have generally been sold to the Banks and consequently remain as an asset of the Company.

Indirect auto loans. The Company finances fixed rate automobile loans sourced indirectly through unaffiliated automobile dealers. Indirect automobile loans are secured by new and used automobiles and are generated by a network of automobile dealers located in the Chicago area with which the Company has established relationships. These credits generally have an original maturity of 36 to 60 months and the average actual maturity is estimated to be approximately 37 months. The risk associated with this portfolio is diversified amongst many individual borrowers. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans. The Company began to originate these loans in mid-1995 and has consistently increased the level of outstanding loans.

Money Market Investments and Investment Securities. The Company's objective in managing its securities portfolio is to balance liquidity risk, interest rate risk and credit quality such that the earnings of the Company are maximized. Management has maintained the funds that were not invested in loans in short-term investment securities and money market investments. The aggregate carrying value of such investments declined to \$132.0 million at December 31, 1996 from \$169.3 million at December 31, 1995 primarily as a result of increased investments in loans during 1996. A detail of the carrying value of the individual categories as of December 31 is set forth in the table below (in thousands).

	1996	1995
Federal funds sold	\$ 38,835	55,812
Interest bearing deposits with banks	18,732	50,600
Investment securities	74,388	62,889
Total money market investments and investment securities	\$ 131,955	169,301

Federal Funds Sold, Interest Bearing Deposits with Banks and Investment Securities. Federal funds sold and interest bearing deposits with banks are very short-term investments with high-quality banks. The balances in these accounts fluctuate based upon deposit inflows and loan demand. These accounts are extremely liquid and provide management with the ability to meet liquidity needs for supplying loan demand or for other reasons.

CONSOLIDATED RESULTS OF OPERATIONS

Comparison of Results of Operations for the Years Ended December 31, 1996 and December 31, 1995

General. For the year ended December 31, 1996, the Company recorded net loss of \$973,000 compared to net income of \$1.5 million for the year ended December 31, 1995. The 1996 loss represents a loss per share of \$0.16 for the year compared to earnings per share of \$0.24 for 1995. The year ended December 31, 1996, included \$891,000 of merger-related expenses from the Company's September 1996 reorganization transaction and \$312,000 in legal fees arising out of collection efforts related to a significant non-performing asset. Excluding these expenses, the pre-tax loss for 1996 would have been approximately \$1.1 million, or approximately one half of the recorded pre-tax loss of \$2.3 million. In addition, the prior year included an initial gain of \$763,000 on the sale of premium finance loans into a securitization facility and a one-time gain on settlement of contingencies of \$735,000 from the repurchase of a minority interest in a now discontinued subsidiary and the settlement of various related contingencies. Excluding these gains, the year ended December 31, 1995, would have posted a net pre-tax loss of approximately \$513,000. The \$567,000 increase in pre-tax loss, as adjusted to exclude the effect of the 1996 merger-related expenses and exceptional legal fees and the 1995 initial and one-time gains, was primarily the result of higher non-interest expenses associated with openings and start-up operations of banking facilities in 1996 than in 1995. While the Company opened three new facilities in 1996 compared to six openings in 1995, five of the 1995 openings occurred in the fourth quarter and associated start-up expenses continued to impact 1996 results.

Net interest income. Net interest income increased to \$14.9 million for the year ended December 31, 1996, from \$9.7

million for the comparable period of 1995. This increase in net interest income of \$5.2 million, or 53.4%, was attributable to a 55.9% increase in average earning assets in 1996 compared to 1995. Partially offsetting the changes due to volume was a slight decline in net interest margin to 2.91% for 1996 from 2.96% in 1995, due to a decline in the general interest rate environment during 1996. Because the Company's overall earning asset portfolio reprices at a rate quicker than its liabilities, the decline in interest rates had an unfavorable impact on the Company's net interest margin.

Provision for possible loan losses. The provision for possible loan losses increased to \$1.9 million in 1996, from \$1.4 million in the prior year due to the increases in the loan portfolio. At December 31, 1996, the allowance for possible loan losses represented 0.74% of loans outstanding which management believed was adequate to cover potential losses in the portfolio. There can be no assurance that future losses will not exceed the amounts provided for, thereby affecting future results of operations. The amount of future additions to the allowance for possible loan losses will be dependent upon the economy, changes in real estate values, interest rates, the view of regulatory agencies toward adequate reserve levels, and past due and non-performing loan levels.

Non-interest income. Total non-interest income decreased approximately \$1.0 million, or 11.8%, to \$7.5 million for the year ended December 31, 1996, as compared to \$8.5 million in the same period of 1995.

Gains on the sale of premium finance loans, which are dependent upon the total loans originated and sold into a securitization facility, decreased to \$3.1 million for the year ended December 31, 1996, from \$4.4 million for the year of 1995. The decrease in total insurance premium finance loans originated and sold during 1996 to \$294.4 million from \$301.3 million in 1995, and an initial gain of \$763,000 which was recorded in February 1995 when a significant portion of the existing premium finance loan portfolio was sold to a newly structured securitization facility contributed to the decrease. Additionally, subsequent to the merger of the First Premium and the Banks on September 1, 1996, the majority of insurance premium finance loans originated were retained by the Company; thereby eliminating any gain from sales to the securitization facility. Absent the initial gain recognition in 1995 and the shift by the Company in late 1996 to retain the insurance premium finance loans, the amount of gains recorded as a percent of loans originated was relatively stable.

Loan servicing fees increased to \$1.4 million for the year ended December 31, 1996 compared to \$1.1 million for the same period of 1995, primarily due to an increase in the amount of average managed insurance premium loans in the 1996 period. Due to the change in the structure of the securitization facility in February 1995 whereby the loans sold into the securitization facility were treated as sales and therefore qualified to receive a servicing fee, the comparable 1995 period had only seven months of service fee income on average managed insurance premium loans

Fees on mortgage loans sold relate to income derived by the Banks for services rendered in originating and selling residential mortgages into the secondary market. Such fees increased to \$1.4 million in 1996 from \$850,000 in 1995 primarily due to increased volume. Approximately \$499,000 of the increase was generated from North Shore Bank which only began such activities during 1995 but which had a full year of loan sales in 1996. Libertyville Bank also contributed approximately \$166,000 during 1996.

Service charges on deposit accounts increased to \$468,000 for the year ended December 31, 1996, from \$196,000 for the year ended December 31, 1995. The increase is a direct result of the 52.4% increase in deposit balances from December 31, 1995 to December 31, 1996. The majority of service charges on deposit accounts relates to customary fees on accounts in overdraft positions and for returned items on accounts.

Trust fees increased to \$522,000 from \$399,000 for the years ended December 31, 1996 and 1995, respectively, due primarily to increased trust business.

Non-interest expense. Total non-interest expense increased approximately \$7.0 million, or 44.0%, to \$22.8 million for the twelve months of 1996, as compared to \$15.8 million in the same period of 1995. Despite the increases in various non-interest expense categories in 1996 compared to 1995, the Company's ratio of non-interest expenses, excluding the merger-related costs, to total average assets declined to 3.89% in 1996 from 4.37% in 1995.

Salaries and employee benefits increased to \$11.6 million for the year ended December 31, 1996 as compared to \$8.0 million for the same period of the prior year, principally due to the increase in the number of banking facilities to 14 at December 31, 1996, from 11 at December 31, 1995. The increase of \$3.6 million reflects an increase of approximately \$754,000 related to Libertyville Bank, which only opened and became fully staffed in October, 1995 but which had a fully operational staff during 1996, and an increase of \$1.4 million at North Shore Bank as a result of four banking locations being operational in 1996 compared to only one banking location during the first nine months of 1995 and three banking locations during the fourth quarter of 1995. North Shore Bank opened a full service banking facility in Glencoe, Illinois and a

drive-up/walk-up banking facility in Wilmette, Illinois during the fourth quarter of 1995 and began organizing a full service banking facility in Winnetka, Illinois during the first quarter of 1996. The Winnetka facility began full operations during the second quarter of 1996. In addition to the increased staffing to support the new banking facility, the growth in deposit and loan accounts at the previously existing banking locations required additional staffing to maintain the standard of customer service. Also contributing to the increase in salaries were normal salary increases and the addition of certain executive officers during mid-1995 and early 1996 to help manage the Company's growth.

Occupancy expenses increased to \$2.3 million for the year ended December 31, 1996, from \$1.5 million for the year ended December 31, 1995, primarily due to the significant increase in the number of the Company's facilities to almost double the number of physical locations at year-end 1996 compared to the end of the third quarter of 1995.

For the year ended December 31, 1996, data processing expenses increased by \$390,000, or 62.5%, compared to the same period of 1995, as a result of the increase of average outstanding deposit and loan balances of approximately 65.2% and 89.3%, respectively.

Advertising and marketing expenses increased to \$1.1 million for the year ended December 31, 1996 compared to \$682,000 for the same period of 1995, primarily due to the addition of eight banking locations during the past fifteen months. Management anticipates that higher levels of marketing expense are likely to be incurred in the future as the Company continues to establish its base of customers, promotes its newly opened Barrington Bank, and opens additional banking facilities.

Nonrecurring merger-related expenses were \$891,000 during 1996. The Reorganization resulted in various legal expenses, accounting and tax related expenses, printing, Securities and Exchange Commission filing expenses, and other applicable expenses.

Other non-interest expenses increased by \$1.2 million, or 28.3%, to \$5.4 million for the year ended December 31, 1996 from \$4.2 million for the year ended December 31, 1995, primarily due to the higher volume of accounts outstanding at the Banks. Also contributing to the increase was approximately \$312,000 in legal fees related to efforts to collect a significant nonperforming insurance premium finance loan during 1996 compared to approximately \$78,000 in the same period of 1995. Controlling overhead expenses is a basic philosophy of management and is closely evaluated. Management is committed to continually evaluating its operations to determine whether additional expense savings are possible without impairing the goal of providing superior customer service.

Despite the increases in the various noninterest expense categories during 1995, the Company's ratio of noninterest expenses to total average assets was 4.05% of average assets in 1996, and 3.89% excluding non-recurring merger expenses, compared to its peer group that has a ratio of noninterest expenses to total average assets of approximately 3.36%. Thus, despite the traditionally initial high investment to establish de novo banks, the Company has controlled its noninterest expenses in a fashion which is just slightly higher than other bank holding companies in its peer group.

Income taxes. The Company recorded an income tax benefit of \$1.3 million during 1996, whereas an income tax benefit of approximately \$512,000 was recorded in 1995. Prior to completion of the Reorganization on September 1, 1996, each of the merging companies except Lake Forest Bank had net operating losses and, based upon the start-up nature of the organization, there was not sufficient evidence to justify the full realization of the net deferred tax assets generated by those losses. Accordingly, a valuation allowance was established against a portion of the deferred tax assets with the combined result being that a minimal amount of Federal tax benefit was recorded. As the entities become profitable, it is anticipated that each entity will have the opportunity to recognize its own tax loss benefits to the extent it generates operating income.

Comparison of Results of Operations for the Years Ended December 31, 1995 and December 31, 1994

General. The Company had net income of \$1.5 million for the year ended December 31, 1995, compared with a net loss of \$2.2 million for the year ended December 31, 1994. The increase in net income was due to an increase in net interest income of \$1.8 million, an increase in non-interest income of \$7.1 million and the realization of \$512,000 in income tax benefits, offset by increases in the provision for possible loan losses of \$823,000 and other non-interest expenses of \$5.1 million.

Net interest income. Net interest income increased by \$1.8 million, or 23.2%, to \$9.7 million in 1995 from \$7.9 million in 1994. Interest income increased as average interest-earning assets increased in each major category due to growth at North Shore Bank, which was in its first year of operations in 1995, the opening of Libertyville Bank in October 1995, and continued growth at the Company's other subsidiary Banks. Interest income also increased as a result of generally higher interest rates in 1995 which led to higher yields on the Company's short-term investments and investment securities. An increase in net earning assets (average interest-earning assets less interest-bearing liabilities) of \$18.9 million in 1995 over 1994, reflecting increased non-interest bearing funding provided by a \$13.7 million increase in average non-interest bearing deposits and an approximately \$12.5 million increase in average shareholders' equity, also contributed to the increase in interest income. These increases were offset in part by

increased interest expense. Deposit costs increased primarily due to the higher volume of deposits funding the higher earning-asset volume as well as higher market rates of interest and the Company's competitive deposit pricing strategies in its new markets. Net interest income was also impacted in 1995 by a lower net interest margin, which declined to 2.96% in 1995 from 3.35% in 1994. The margin decline was largely due to an unfavorable shift in the Company's earning asset mix in 1995 compared to 1994 from higher-yielding premium finance loans to loans originated or purchased by the Banks and other lower-yielding earning assets. Average premium finance loans decreased by 73.1% in 1995 as a result of the sale in February 1995 of a significant portion of this portfolio into a securitization facility. However, as discussed below, the decrease in interest income attributable to premium finance loans was offset by gains recognized in 1995 on the sale of such loans.

Provision for possible loan losses. The provision for possible loan losses increased to \$1.4 million in 1995 from \$607,000 in 1994, due to volume increases in the loan portfolio. Total loans increased approximately \$64.2 million, or 33.1%, from December 31, 1994 to December 31, 1995. At December 31, 1995, the allowance for possible loan losses represented 1.07% of loans outstanding, which management believed was adequate to cover potential losses in the portfolio.

Non-interest income. Non-interest income increased to \$8.5 million in 1995 from \$1.5 million in 1994 primarily due to a change in the structure of the securitization facility resulting in recognition of gains on sales of premium finance loans sold to others.

Gain on the sale of insurance premium finance loans was \$4.4 million in 1995 versus none in 1994. The increase was a result of restructuring the securitization facility in February 1995 which dictated different accounting treatment for loans sold pursuant to the securitization facility. The new structure caused the Company to record gains on insurance premium finance loans sold to an independent third party at the time of sale rather than recording the income over the life of the loan as a component of interest income. As a result, an initial gain of \$763,000 was recorded in February 1995 when existing loans were sold to the new securitization facility, and sales of receivables subsequent to February 1995 were recorded as gains.

Substantially all of the \$1.1 million increase in loan servicing fees related to premium finance loans. Beginning in 1995, the change in the structure of the securitization facility allowed for the insurance premium finance loans to be sold with servicing retained, while in 1994 no servicing fees were received on that portfolio.

Fees on mortgage loans sold increased approximately \$451,000 in 1995 compared to 1994. Approximately \$181,000 of the increase was generated from Hinsdale Bank which only began such activities during late 1994 but which had a complete period of mortgage loan sales in 1995. Also, North Shore Bank, which did not open until the last quarter of 1994, contributed approximately \$196,000 during 1995.

Trust fees increased to \$399,000 in 1995 from \$202,000 in 1994 primarily attributable to new trust business generated by new trust officers.

Service charges on deposit accounts increased by 75.0% to \$196,000 in 1995 from \$112,000 in 1994. The increase is a direct result of the 82.7% increase in deposits from December 31, 1994 to December 31, 1995.

The gain on settlement of contingencies is primarily a result of a one-time \$735,000 gain from the repurchase of a minority interest in a now-discontinued subsidiary and the settlement of various related contingencies. The actual costs required to complete the transaction were less than amounts previously accrued therefor, resulting in recognition of gain as the accruals were reversed into income.

Non-interest expense. Total non-interest expense increased approximately \$5.0 million, or 47.1%, to \$15.8 million in 1995 from \$10.8 million in 1994.

Salaries and employee benefits expense increased approximately \$2.7 million, principally attributable to growth in the deposit base of 82.7% from December 31, 1994 to December 31, 1995. The operation of additional facilities required additional employees in those locations and the Company's successful generation of new business from new and existing customers required additional customer support personnel to service the expanding relationships. At Lake Forest Bank, a branch established in the neighboring community of Lake Bluff in December 1994 was operational for a full year and another branch was opened in May 1995 in West Lake Forest, requiring expansion of the payroll by 10 full-time equivalent employees. At Hinsdale Bank, six full-time equivalent employees were added by year-end 1995, as the Company initiated a lending department to originate indirect automobile loans for its own portfolio and for sale to other financial institutions, requiring the addition of three lending individuals. North Shore Bank was in its initial year of operation in 1994 and thus did not have a full year of salaries and employee benefits in 1994. Staffing levels began to accumulate in April 1994 and the Bank became operational in September 1994. In late 1995, North Shore Bank added a drive-through facility and opened a full-service banking facilities in Glencoe, with organizational efforts relating to its full-service facility in Winnetka also well underway. At the end of 1995, North

Shore Bank had 22 full-time equivalent employees. Libertyville Bank began to accumulate staff in May 1995, and a full staffing complement of 20 full-time equivalent employees was achieved by October 1995.

Occupancy expenses increased \$355,000 to \$1.5 million for 1995 from \$1.2 million in 1994 primarily due to the increase in the number of facilities.

Advertising and marketing expenses amounted to \$682,000 during 1995 compared to \$288,000 in 1994, due to the promotion of the opening of the new banking facilities during 1995 and the desire of management to effectively integrate the opening of those facilities into the Company's overall marketing plan.

Data processing. Data processing expense increased by approximately \$289,000 or 86.3% in 1995 compared to 1994, reflecting the Company's increase in deposits and loans over such period. An increase in trust accounts during 1995 also contributed to higher data processing charges.

Other non-interest expense. Other non-interest expenses increased by approximately \$1.2 million or 40.0% to \$4.2 million for 1995 from \$3.0 million for 1994, primarily due to the higher volume of accounts outstanding and the additional depreciation, supplies, and other sundry expenses related to the opening of the new facilities.

Income taxes. The Company had no consolidated Federal or state income tax expense for 1995 or 1994. In 1995, an income tax benefit of \$512,000 was recorded. Management determined that the Company's earnings history and projected future earnings were sufficient to make a judgment that the realization of a portion of the net deferred tax assets not previously valued was more likely than not to occur. In 1994, management had established a valuation allowance against its net deferred tax assets with the result being that no federal or state income tax expense or benefit was realized in the financial statements.

ASSET-LIABILITY MANAGEMENT

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

An institution with more assets than liabilities repricing over a given time frame is considered asset sensitive and will generally benefit from rising rates. The following table illustrates the Company's estimated interest rate sensitivity and periodic and cumulative gap positions as calculated as of December 31, 1996 (dollars in thousands).

TIME TO MATURITY OR REPRICING	-----				TOTAL
	0-90 DAYS	91-365 DAYS	1-5 YEARS	OVER 5 YEARS	
Rate sensitive assets (RSA)	\$ 326,390	155,094	114,871	109,682	706,037
Rate sensitive liabilities (RSL)	\$ 427,267	102,630	49,235	126,905	706,037
Cumulative gap (GAP = RSA - RSL)	\$ (100,877)	(48,413)	17,223		
Cumulative RSA/RSL	0.76	0.91	1.03		
Cumulative RSA/Total assets	0.46	0.68	0.84		
Cumulative RSL/Total assets	0.61	0.75	0.82		
GAP/Total assets	(14)%	(7)%	2%		
GAP/RSA	(31)%	(10)%	3%		

While the gap position illustrated above is a useful tool that management can assess for general positioning of the Company's and its subsidiaries' balance sheets, management uses an additional measurement tool to evaluate its asset/liability sensitivity which determines exposure to changes in interest rates by measuring the percentage change in net income due to changes in rates over a two-year time horizon. Management measures such percentage change 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 income over a two-year time horizon due to changes in interest rates, at December 31, 1996, is as follows:

	+200 BASIS POINTS	-200 BASIS POINTS
Percentage change in net income		

due to an immediate 200 basis point change in interest rates over a two-year time horizon 23.0% (13.3)%

LIQUIDITY AND CAPITAL RESOURCES

The following table reflects various measures of the Company's capital at December 31, 1996 and 1995:

	DECEMBER 31,	
	1996	1995
Average equity-to-average asset ratio	7.4%	8.6%
Leverage ratio	6.4%	8.5%
Tier 1 risk-based capital ratio	7.3%	11.1%
Total risk-based capital ratio	8.0%	11.9%
Dividend payout ratio	0.0%	0.0%

The Company's consolidated leverage ratio (Tier 1 capital/total assets less intangibles) was 6.4% at December 31, 1996 which places the Company above the "well capitalized" regulatory level. Consolidated Tier 1 and total risk-based capital ratios were 7.3% and 8.0%, respectively. Based on guidelines established by the Federal Reserve Bank, a bank holding company is required to maintain a ratio of Tier 1 capital to risk-based assets of 4.0% and a ratio of total capital to risk-based assets of 8.0%.

The Company's principal funds at the holding company level are dividends from its subsidiaries, and if necessary, borrowings or additional equity offerings. Banking laws impose restrictions upon the amount of dividends which can be paid to the Company by the Banks. Based on these laws, the Banks could, subject to minimum capital requirements, declare dividends to the Company without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. In addition, the payment of dividends may be restricted under certain financial covenants in the Company's revolving line of credit and First Premium's existing securitization facility. At January 1, 1997, \$2.5 million was available as dividends from the Banks without prior regulatory approval, compared to \$1.5 million at January 1, 1996, and no dividend availability from the Banks at December 31, 1994. No cash dividends were paid to the Company by the Banks during the years ended December 31, 1996, 1995, or 1994.

Effective September 1, 1996, the Company obtained a \$25.0 million revolving credit line from a major commercial bank to consolidate separate lines previously maintained at the subsidiary holding companies. As of December 31, 1996, the Company had borrowed \$22.1 million under the line. The revolving line is secured by all of the shares of common stock of the subsidiary bank holding companies and of each of the Banks, other than Barrington Bank, and bears interest on the amounts outstanding from time to time, at the Company's option, at an interest rate of either (a) LIBOR plus 150 basis points, or (b) the lender's prime rate. Upon completion of the common stock offering in March 1997, the net proceeds were used to repay approximate \$19.6 of the debt outstanding under the line. The entire unused portion of the revolving line will remain available for future borrowings. All unpaid principal amounts due under the revolver will mature on September 1, 1997.

Liquidity management at the Banks involves planning to meet anticipated funding needs at a reasonable cost. Liquidity management is guided by policies, formulated and monitored by the Company's senior management and each Bank's asset/liability committee, which take into account the marketability of assets, the sources and stability of funding and the level of unfunded commitments. The Banks' principal sources of funds are deposits, short-term borrowings and capital contributions by the Company out of the proceeds of borrowings under the revolving line. In addition, each of the Banks, except Barrington Bank, has recently become eligible to borrow under Federal Home Loan Bank advances, an additional source of short-term liquidity.

The Banks' core deposits, the most stable source of liquidity for community banks due to the nature of long-term relationships generally established with depositors and the security of deposit insurance provided by the FDIC, are available to provide long-term liquidity. At December 31, 1996, 64.9% of the Company's total assets were funded by core deposits with balances less than \$100,000, while remaining assets were funded by other funding sources such as core deposits with balances in excess of \$100,000, public funds, purchased funds, and the

capital of the Banks. At December 31, 1995 and 1994, 66.3% and 51.6% of total assets were funded by core deposits, respectively.

Liquid assets refers to money market assets such as Federal funds sold and interest bearing deposits with banks, as well as available-for-sale debt securities and held-to-maturity securities with a remaining maturity less than one year. Net liquid assets represent the sum of the liquid asset categories less the amount of assets pledged to secure public funds. At December 31, 1996, net liquid assets totaled approximately \$74.3 million, compared to approximately \$129.1 million at December 31, 1995 and \$88.8 million at December 31, 1994.

The Banks routinely accept deposits from a variety of municipal entities. Typically, these municipal entities require that banks pledge marketable securities to collateralize these public deposits. At December 31, 1996, December 31, 1995 and December 31, 1994, the Banks had approximately \$52.7 million, \$35.2 million and \$27.6 million, respectively, of securities collateralizing such public deposits. Deposits requiring pledged assets are not considered to be core deposits, and the assets that are pledged as collateral for these deposits are not deemed to be liquid assets.

To finance its insurance premium loans, First Premium has over the past several years relied primarily on proceeds of loan sales to a securitization facility. In such transactions, First Premium transferred loans to First Premium Funding Corp., its wholly-owned special-purpose corporation, which in turn sold the loans to an independent multi-seller conduit, which issued commercial paper to finance the acquisition of the loans, and First Premium retained servicing rights. Loans have also been financed by short-term lines of credit. Following the Reorganization in September 1996, consistent with the Company's strategy of augmenting the Banks' internal loan generation capabilities with special asset niches, the Banks began purchasing premium finance loans originated by First Premium using funds provided by deposits and other lower-cost funding sources. Consequently, First Premium's activities under the existing securitization facility are being curtailed. The Company is currently exploring the feasibility of establishing a single-seller multi-purpose conduit facility that may be utilized in the future to securitize a variety of different types of assets originated or purchased by the Company, including premium finance loans, to the extent and at such times as management determines asset securitizations to be desirable in implementing overall asset/liability management strategies.

The Company is not aware of any known trends, commitments, events, regulatory recommendations or uncertainties that would have any adverse effect on the Company's capital resources, operations or liquidity.

CREDIT RISK AND ASSET QUALITY

Summary of Loan Loss Experience. The following table summarizes average loan balances, changes in the allowance for possible loan losses arising from additions to the allowance which have been charged to earnings, and loans charged-off and recoveries on loans previously charged-off for the periods shown (dollars in thousands).

	1996	1995	1994	1993	1992
Balance at beginning of year	\$ 2,763	1,702	1,357	961	818
Total loans charged-off-continuing operations	(520)	(290)	(60)	(5)	-
Loans charged-off-discontinued leasing operations	(583)	(109)	(205)	(728)	(965)
Total recoveries	41	30	3	2	-
Net loans charged-off	(1,062)	(369)	(262)	(731)	(965)
Reduction due to subsidiary sold	-	-	-	-	(8)
Provision for possible loan losses	1,935	1,430	607	1,127	1,116
Balance at end of year	\$ 3,636	2,763	1,702	1,357	961
Average total loans	\$347,076	183,614	148,209	79,052	40,528
Allowance as percent of year-end total loans	0.74%	1.07%	0.88%	1.24%	1.98%
Net loans charged-off to average total loans	0.31%	0.20%	0.18%	0.92%	2.38%
Net loans charged-off to the provision for possible loan losses	54.88%	25.80%	43.16%	64.86%	86.47%

The amount of additions to the allowance for possible loan losses which are charged to earnings through the provision for possible loan losses are determined based on a variety of factors, including actual charge-offs during the year, historical loss experience, delinquent loans, and an evaluation of current and prospective economic conditions in the market area. Management believes the allowance for possible loan losses is adequate to cover any potential losses.

Nonaccrual, Past Due and Restructured Loans. The following table classifies the Company's non-performing loans as of December 31 for each of last five years (dollars in thousands):

	1996	1995	1994	1993	1992
Nonaccrual loans	\$ 1,686	1,778	4	4	44
Loans past due 90 days or more	95	142	16	-	88
Restructured loans	-	-	-	-	-
Total non-performing loans	1,781	1,920	20	4	132
Other real estate owned	-	-	-	-	-
Total non-performing assets	\$ 1,781	1,920	20	4	132
Total non-performing loans to total loans	0.36%	0.74%	0.01%	-%	0.27%
Total non-performing assets to total assets	0.25%	0.41%	0.01%	-%	0.16%
Nonaccrual loans to total loans	0.34%	0.69%	-%	-%	0.09%

It is the policy of the Company to discontinue the accrual of interest income on any loan for which there is a reasonable doubt as to the payment of interest or principal. Nonaccrual loans are returned to an accrual status when the financial position of the borrower indicates there is no longer any reasonable doubt as to the payment of principal or interest. Of the \$1.8 million of non-performing assets at December 31, 1996, \$1.3 million relates to a non-performing loan at First Premium, which amount is expected to be fully recovered and a substantial portion of which management has collected or expects to collect in early in 1997.

Accordingly, no amount has been specifically reserved against possible loss related to this loan.

Other than those loans reflected in the table above, the Company had no significant loans (i) for which the terms had been renegotiated, or (ii) for which there were serious doubts as to the ability of the borrower to comply with repayment terms.

Potential Problem Loans. In addition to those loans disclosed under "Nonaccrual, Past Due and Restructured Loans," there are certain loans in the portfolio which management has identified, through its problem loan identification system which exhibit a higher than normal credit risk. However, these loans do not represent non-performing loans to the Company. Management's review of the total loan portfolio to identify loans where there is concern that the borrower will not be able to continue to satisfy present loan repayment terms includes factors such as review of individual loans, recent loss experience and current economic conditions. Loans in this category include those with characteristics such as those past maturity more than 45 days, those that have recent adverse operating cash flow or balance sheet trends, or have general risk characteristics that the loan officer believes might jeopardize the future timely collection of principal and interest payments. The principal amount of loans in this category as of December 31, 1996, and December 31, 1995 were approximately \$1.1 million and \$604,000, respectively. Loans in this category generally include loans that were classified for regulatory purposes. At December 31, 1996, there were no significant loans which were classified by any bank regulatory agency that are not included above as nonaccrual, past due or restructured.

Control of the Company's loan quality is continually monitored by management and is reviewed by the boards of directors and credit committees of the Banks on a monthly basis, subject to the oversight by the Company's Board of Directors through its members who serve on such credit committees. Independent external review of the loan portfolio is provided by the examinations conducted by regulatory authorities, independent public accountants in conjunction with their annual audit, and an independent loan review performed by an entity engaged by the Board of Directors.

Loan Concentrations. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company had no concentrations of loans exceeding 10% of total loans at December 31, 1996 or December 31, 1995, except for indirect auto and premium finance loans.

Other Real Estate Owned. The Company did not have any Other Real Estate Owned at the end of any of the reporting periods.

EFFECTS OF INFLATION

The impact of inflation on a financial institution differs significantly from that of an industrial company in that virtually all assets and liabilities of a bank are monetary in nature. Monetary items, such as cash, loans, and deposits, are those assets and liabilities that are or will be converted into a fixed number of dollars regardless of prices. Management of the Company believes the impact of inflation on financial results depends upon the Company's ability to react to changes in interest rates. Interest rates do not necessarily move in the same direction, or at the same magnitude, as the prices of other goods and services. Management seeks to manage the relationship between interest-sensitive assets and liabilities in order to protect against wide fluctuations in earnings, including those resulting from interest rate changes and from inflation.

EFFECTS OF NEW ACCOUNTING PRINCIPLES

As of January 1, 1997, the Company adopted Financial Accounting Standards Board Statement No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" (Statement No. 125). Statement No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, and is to be applied prospectively. Statement No. 125 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities based on consistent application of a financial components approach that focuses on control. It distinguishes transfers of financial assets that are sales from transfers that are secured borrowings. Management of the Company does not expect that adoption of Statement No. 125 will have a material impact on the Company's financial position, results of operations or liquidity.

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Howard D. Adams
James H. Bishop
Raynette Boshell
Edwin C. Bruning
Bruce K. Crowther
Scott A. Gaalaas
William C. Graft
Penny Horne
Peter Hyland
Dr. Lawrence Kerns
Sam Oliver
Mary F. Perot
Betsy Petersen
Hollis W. Rademacher
Peter Rusin
George L. Schueppert
Dr. Richard Smith
Richard P. Spicuzza
W. Bradley Stetson
Dan T. Thomson
Charles VanFossan
Edward J. Wehmer

EXECUTIVE

James H. Bishop
President & Chief Executive Officer

LOANS

W. Bradley Stetson
Executive Vice President/Lending

Barbara E. Ringquist
Mortgage Loan Officer

PERSONAL BANKING/OPERATIONS

Kris A. Slattery
Vice President/Operations & Retail Banking

Helene A. Torrenga
Assistant Vice President/Controller

Jonathan E. Prell
Personal Banking Officer

FIRST PREMIUM SERVICES, INC.

DIRECTORS

Howard D. Adams
Frank J. Burke
David A. Dykstra
James C. Knollenberg
Hollis W. Rademacher
Edward J. Wehmer

EXECUTIVE

James C. Knollenberg

President & Chief Executive Officer

MARKETING/OPERATIONS/FINANCE

Frank J. Burke, Jr.
Vice President/Director of Sales
& Marketing

Joseph G. Shockey
Vice President/Director of Operations

Sal J. Sidoti
Vice President/Controller

CORPORATE INFORMATION & LOCATIONS

CORPORATE INFORMATION

PUBLIC TRADING AND MARKET SYMBOL

The Company's Common Stock is traded on the Nasdaq National MarketSM under the symbol WTFC. The stock abbreviation appears as "WINTRSTFNL" in the Wall Street Journal.

ANNUAL MEETING OF SHAREHOLDERS

May 22, 1997

Gorton Community Center

400 East Illinois Road

Lake Forest, Illinois

6:00 P.M.

FORM 10-K

The Form 10-K Annual Report to the Securities and Exchange Commission will be available to holders of record upon written request to the Secretary of the Company. The information is also available on the Internet at the Securities and Exchange Commission's website. The address for the web site is:

<http://www.sec.gov>.

TRANSFER AGENT

Illinois Stock Transfer Company

223 West Jackson Boulevard

Suite 1210

Chicago, Illinois 60606

Telephone: (312) 427-2953

Facsimile: (312) 427-2879

MARKET MAKERS FOR WINTRUST FINANCIAL CORPORATION COMMON STOCK

EVEREN Securities, Inc.

Howe Barnes Investments, Inc.

PaineWebber, Inc.

Principal Financial Services, Inc.

William Blair & Co.

LOCATIONS

WINTRUST FINANCIAL CORPORATION

727 North Bank Lane

Lake Forest, IL 60045

(847) 615-4096

LAKE FOREST BANK & TRUST COMPANY

Lake Forest Locations

Main Bank

727 North Bank Lane

Lake Forest, IL 60045

(847) 234-2882

Drive-thru

780 North Bank Lane

Lake Forest, IL 60045

West Lake Forest

810 South Waukegan Avenue

Lake Forest, IL 60045

(847) 615-4080

West Lake Forest Drive-thru

911 Telegraph Road
Lake Forest, IL 60045
(847) 615-4097

Lake Bluff Location
103 East Scranton Avenue
Lake Bluff, IL 60044
(847) 615-4060

**HINSDALE BANK
& TRUST COMPANY**

Hinsdale Locations
Main Bank
25 East First Street
Hinsdale, IL 60521
(630) 323-4404

Drive-thru
130 West Chestnut
Hinsdale, IL 60521
(630) 655-8025

Clarendon Hills Location
200 West Burlington Avenue
Clarendon Hills, IL 60514
(630) 323-1240

**NORTH SHORE COMMUNITY BANK
& TRUST COMPANY**

Wilmette Locations
Main Bank
1145 Wilmette Avenue
Wilmette, IL 60091
(847) 853-1145

Drive-thru
720 12th Street
Wilmette, IL 60091

Glencoe Location
362 Park Avenue
Glencoe, IL 60022
(847) 835-1700

Winnetka Location
794 Oak Street
Winnetka, IL 60093
(847) 441-2265

**LIBERTYVILLE BANK
& TRUST COMPANY**

Main Bank
507 North Milwaukee Avenue
Libertyville, IL 60048
(847) 367-6800

Drive-thru
201 Hurlburt Court
Libertyville, IL 60048
(847) 247-4045

BARRINGTON BANK

& TRUST COMPANY

Main Bank
202 South Cook Street
Barrington, IL 60010
(847) 842-7970

FIRST PREMIUM SERVICES, INC.

520 Lake Cook Road
Suite 300
Deerfield, IL 60015
(847) 374-3000

EXHIBIT 10.29

FIRST AMENDMENT TO

LOAN AGREEMENT

THIS FIRST AMENDMENT TO LOAN AGREEMENT dated as of March 1, 1997 (this "Amendment"), is between WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Borrower"), and LASALLE NATIONAL BANK, a national banking association (the "Bank").

WITNESSETH:

WHEREAS, the Borrower and the Bank entered into a Loan Agreement dated as of September 1, 1996 (the "Agreement"); and

WHEREAS, the Borrower and the Bank desire to amend the Agreement as more fully described herein.

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

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

2. AMENDMENTS TO THE AGREEMENT.

2.1 Amendment to Section 3 (a) of the Agreement.

Section 3 (a) of the Agreement is hereby amended as of the date hereof by deleting it in its entirety and replacing it with the following:

"(a) Interest on amounts outstanding under the Note shall be payable quarterly, in arrears, commencing on March 1, 1997 and continuing on the first day of each June, September, December and March thereafter. A final payment of all outstanding amounts due under the Note including, but not limited to principal, interest and any amounts owing under Subsection 10 (m) of this Agreement, if not payable earlier, shall be due and payable on September 1, 1997. The amounts outstanding under the Note from time to time shall bear interest calculated on the actual number of days elapsed on the basis of a 360 day year, at a rate equal, at the Borrower's option, to either (a) the London Inter-Bank Offered Rate ("LIBOR") plus 125 basis points, or (b) the Prime Rate (whichever is so selected, the "Interest Rate")."

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

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

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

3.3 Validity and Binding Effect. The Agreement, as amended hereby, is a legal valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by general principals of equity limiting the availability of equitable remedies.

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

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

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

- (a) This Amendment duly executed by the Borrower; and
- (b) Such other documents and instruments as the Bank reasonably requests.

5. GENERAL.

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

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

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

LASALLE NATIONAL BANK WINTRUST FINANCIAL CORPORATION

By: _____ By: _____ Its: _____
Its: _____

ARTICLE 9

This schedule contains summary financial information extracted from the annual audited financial statements of Wintrust Financial Corporation for the year ended December 21, 1996, and is qualified in its entirety by reference to such financial statements

CIK: 0001015328

NAME: Wintrust Financial Corporation

MULTIPLIER: 1,000

PERIOD TYPE	YEAR
FISCAL YEAR END	DEC 31 1996
PERIOD START	JAN 01 1996
PERIOD END	DEC 31 1996
CASH	36,581
INT BEARING DEPOSITS	18,732
FED FUNDS SOLD	38,835
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	69,387
INVESTMENTS CARRYING	5,001
INVESTMENTS MARKET	4,913
LOANS	492,548
ALLOWANCE	3,636
TOTAL ASSETS	706,037
DEPOSITS	618,029
SHORT TERM	7,058
LIABILITIES OTHER	16,273
LONG TERM	22,057
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	6,603
OTHER SE	36,017
TOTAL LIABILITIES AND EQUITY	706,037
INTEREST LOAN	30,631
INTEREST INVEST	8,406
INTEREST OTHER	0
INTEREST TOTAL	39,037
INTEREST DEPOSIT	22,760
INTEREST EXPENSE	1,395
INTEREST INCOME NET	14,882
LOAN LOSSES	1,935
SECURITIES GAINS	18
EXPENSE OTHER	22,762
INCOME PRETAX	(2,283)
INCOME PRE EXTRAORDINARY	(973)
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(973)
EPS PRIMARY	(0.16)
EPS DILUTED	(0.16)
YIELD ACTUAL	2.91
LOANS NON	1,686
LOANS PAST	1,781
LOANS TROUBLED	0
LOANS PROBLEM	1,100
ALLOWANCE OPEN	2,763
CHARGE OFFS	(1,103)
RECOVERIES	41
ALLOWANCE CLOSE	3,636
ALLOWANCE DOMESTIC	2,280
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	1,356

End of Filing

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