

WINTRUST FINANCIAL CORP

FORM 10-Q (Quarterly Report)

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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-Q

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

For the Quarterly Period Ended September 30, 1997
Commission File Number 0-21923

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

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)

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

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

Common Stock - no par value, 8,103,982 shares, as of November 13, 1997.

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WINTRUST FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CONDITION (UNAUDITED)
(IN THOUSANDS)

	SEPTEMBER 30, 1997	December 31, 1996	September 30 1996
ASSETS			
Cash and due from banks-noninterest bearing	\$ 34,871	\$ 36,581	\$ 19,753
Federal funds sold	75,077	38,835	52,033
Interest-bearing deposits with banks	50,023	18,732	25,100
Available-for-Sale securities, at market value	64,705	69,387	69,022
Held-to-Maturity securities, at amortized cost	5,001	5,001	5,002
Loans, net of unearned income	694,152	492,548	414,405
Less: Allowance for possible loan losses	5,013	3,636	3,749
Net loans	689,139	488,912	410,656
Premises and equipment, net	39,894	30,277	28,410
Accrued interest receivable and other assets	12,478	16,426	10,818
Goodwill and organizational costs	1,782	1,886	470
Total assets	\$ 972,970	\$ 706,037	\$ 621,264
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest bearing	\$ 77,136	\$ 67,164	\$ 55,523
Interest bearing	804,174	550,865	493,780
Total deposits	881,310	618,029	549,303
Short-term borrowings	-	7,058	1,812
Notes payable	15,903	22,057	16,554
Other liabilities	8,841	16,273	12,810
Total liabilities	906,054	663,417	580,479
Shareholders' equity			
Preferred stock	-	-	-
Common stock	8,103	6,603	6,516
Surplus	72,502	52,871	51,681
Common stock warrants	100	100	75
Retained deficit	(13,797)	(16,963)	(17,511)
Net, unrealized gains on Available-for-Sale securities, net of tax	8	9	24
Total shareholders' equity	66,916	42,620	40,785
Total liabilities and shareholders' equity	\$ 972,970	\$ 706,037	\$ 621,264

WINTRUST FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
PERIODS ENDED SEPTEMBER 30, 1997 AND 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	NINE MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	1997	1996	1997	1996
Interest income	\$ 46,205	\$ 27,398	\$ 17,746	\$ 10,174
Interest expense	26,824	17,011	10,406	6,232
Net interest income	19,381	10,387	7,340	3,942
Provision for possible loan losses	2,512	1,344	958	451
Net interest income after provision for possible loan losses	16,869	9,043	6,382	3,491
Total noninterest income	3,622	5,856	1,102	1,970
Total noninterest expense	19,724	16,454	6,946	5,339
Income before income taxes	767	(1,555)	538	122
Income tax (benefit) expense	(2,399)	(34)	(773)	(179)
Net income (loss)	\$ 3,166	\$ (1,521)	\$ 1,311	\$ 301
Net income (loss) per common share	\$ 0.39	\$ (0.25)	\$ 0.15	\$ 0.04
Weighted average common shares and common share equivalents outstanding	8,117	5,992	8,587	6,846

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

	PREFERRED STOCK	COMMON STOCK	SURPLUS	WARRANTS	RETAINED (DEFICIT)	NET UNREALIZED GAIN (LOSS) ON SECURITIES AVAILABLE FOR SALE	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 1995	\$ 503	\$ 5,831	\$ 50,053	\$ 75	\$ (15,990)	\$ 15	\$ 40,487
Net loss	-	-	-	-	(1,521)	-	(1,521)
Common stock issuance	-	567	1,298	-	-	-	1,865
Repurchase of common stock	-	(4)	(44)	-	-	-	(48)
Conversion of preferred stock	(503)	122	381	-	-	-	-
Cash value of fractional shares	-	-	(7)	-	-	-	(7)
Change in net unrealized gain on securities available-for-sale, net of tax effect	-	-	-	-	-	9	9
BALANCE AT SEPTEMBER 30, 1996	\$ -	\$ 6,516	\$ 51,681	\$ 75	\$ (17,511)	\$ 24	\$ 40,785
Balance at December 31, 1996	\$ -	\$ 6,603	\$ 52,871	\$ 100	\$ (16,963)	\$ 9	\$ 42,620
Net income	-	-	-	-	3,166	-	3,166
Common stock issued upon exercise of stock options	-	102	652	-	-	-	754
Common stock issued in conjunction with public offering, net of issuance costs	-	1,398	18,979	-	-	-	20,377
Change in net unrealized gain on securities available-for-sale, net of tax effect	-	-	-	-	-	(1)	(1)
BALANCE AT SEPTEMBER 30, 1997	\$ -	\$ 8,103	\$ 72,502	\$ 100	\$ (13,797)	\$ 8	\$ 66,916

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996

OPERATING ACTIVITIES:		
Net income (loss)	\$ 3,166	\$ (1,521)
Adjustments to reconcile net income (loss) to net cash used for, or provided by, operating activities:		
Provision for possible loan losses	2,512	1,344
Depreciation and amortization	1,709	1,036
Deferred income tax (benefit) expense	(2,399)	111
Net accretion/amortization of investment securities	(332)	(34)
Decrease (increase) in other assets, net	6,268	(1,866)
Decrease in other liabilities, net	(7,432)	(301)

NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	3,492	(1,231)

INVESTING ACTIVITIES:		
Proceeds from maturities of Available-for-Sale securities	76,847	288,102
Proceeds from sales of Available-for-Sale securities	-	498
Purchases of securities	(71,833)	(299,734)
Net (increase) decrease in interest bearing deposits	(31,291)	25,500
Net increase in loans	(202,739)	(156,532)
Purchases of premises and equipment, net	(11,144)	(5,447)

NET CASH USED FOR INVESTING ACTIVITIES	(240,160)	(147,613)

FINANCING ACTIVITIES:		
Increase in deposit accounts	263,281	143,645
(Decrease) increase in short-term borrowings, net	(7,058)	945
Proceeds from notes payable	11,700	5,796
Repayment of notes payable	(17,854)	-
Cash value of fractional shares upon exchange of shares	-	(7)
Issuance of common stock, net of issuance costs	21,131	1,865
Repurchase of common stock	-	(48)

NET CASH PROVIDED BY FINANCING ACTIVITIES	271,200	152,196

NET INCREASE IN CASH AND CASH EQUIVALENTS	34,532	3,352
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	75,416	68,434

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 109,948	\$ 71,786
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WINTRUST FINANCIAL CORPORATION

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

The consolidated Wintrust entity was formed on September 1, 1996 through a merger transaction 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 October 1996, Wintrust purchased a company known as Wolfhoya Investments, Inc. ("Wolfhoya") for a purchase price of approximately \$1.3 million. Wolfhoya was a company organized prior to the merger transaction by certain directors and officers of the Company for purposes of organizing a de novo banking operation in Barrington, Illinois. At the date of purchase by Wintrust, Wolfhoya had purchased real estate for a permanent banking location and constructed a temporary banking location in downtown Barrington. Wolfhoya had also secured the services of its top three executive officers to run the new de novo bank. On December 19, 1996, Wintrust opened Barrington Bank and Trust Company, the bank that Wolfhoya had begun to organize prior to the acquisition. The acquisition was accounted for using the purchase method of accounting and the purchase price was paid for by issuing approximately 88,000 shares of Wintrust common stock to the shareholders of Wolfhoya.

The accompanying consolidated financial statements are unaudited and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations or cash flows in accordance with generally accepted accounting principles. The consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report and Form 10-K for the year ended December 31, 1996. Operating results for the three-month and nine-month periods presented are not necessarily indicative of the results which may be expected for the entire year.

(2) Statement of Financial Accounting Standard No. 122:

In May 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 122, "Accounting for Mortgage Servicing Rights, an amendment of Financial Accounting Standard No. 65" (SFAS No. 122). The statement requires the recognition as separate assets the rights to service mortgage loans for others, however those rights are acquired. SFAS No. 122 requires that when a definitive plan exists to sell the loan and retain servicing rights, the cost of the mortgage will be allocated between the loan and the related mortgage servicing right based on their relative fair values at the date of

origination or purchase; otherwise the date of sale will be used. Mortgage servicing rights are amortized ratably over the period of the associated estimated net servicing income. SFAS No. 122 also requires assessing the capitalized mortgage servicing rights for impairment by comparing the recorded book value to the fair value of those rights.

(3) Statement of Financial Accounting Standard No. 114 and No. 118:

The Company follows the guidance of Statement of Financial Accounting Standard No. 114 (as amended by Statement of Financial Accounting Standard No. 118), "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures" to account for 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 under SFAS No. 114 and SFAS No. 118 are considered by the Company to be 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. 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.

(4) Statement of Financial Accounting Standard No. 125

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" (SFAS No. 125). SFAS No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, and is applied prospectively. SFAS 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. The adoption of SFAS No. 125 did not have a material impact on the Company's financial position, results of operations or liquidity.

(5) Cash and Cash Equivalents

For the purposes of the Consolidated Statements of Cash Flows, the Company considers cash and cash equivalents to include cash and due from banks and federal funds sold which have an original maturity of 90 days or less.

(6) Per Common Share Data

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.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

Wintrust Financial Corporation ("Wintrust" or "Company") is a multi-bank holding company currently engaged in the business of providing financial services primarily 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"). As of September 30, 1997, Wintrust owned five bank subsidiaries ("Banks"), all of which started as 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 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 October 1996, Wintrust purchased Wolfhoya Investments, Inc. ("Wolfhoya") for a purchase price of approximately \$1.3 million. The sole business purpose of Wolfhoya was to organize a de novo banking operation in Barrington, Illinois. At the date of purchase by Wintrust, Wolfhoya had secured a permanent banking location and constructed a temporary banking location in downtown Barrington. Wolfhoya had also secured the services of its top three executive officers to run the new de novo bank. Barrington opened on December 19, 1996. The acquisition was accounted for using the purchase method of accounting and the purchase price was paid for by issuing approximately 88,000 shares of Wintrust common stock to the shareholders of Wolfhoya. Accordingly, the Company's consolidated financial statements reflects the financial condition and results of operations of Barrington since the date of acquisition.

Each of Lake Forest, Hinsdale, Libertyville and First Premium are wholly-owned by mid-tier holding companies known as Lake Forest Bancorp, Inc., Hinsdale Bancorp, Inc., Libertyville Bancorp, Inc., and Crabtree Capital Corporation, respectively. These mid-tier holding companies are all owned 100% by Wintrust.

The existing operating subsidiaries have all started operations within the last seven years. Each of the operating subsidiaries were started in an effort to fulfill a financial services need in the banking and insurance premium financing industries. Lake Forest, Hinsdale, North Shore, Libertyville and Barrington began banking operations in December 1991, October 1993, September 1994, October 1995 and December 1996, respectively. Subsequent to those initial dates of operations, each of the banks, except Libertyville and Barrington have established additional full service banking facilities. First Premium began operations in 1990 and is primarily involved in the financing of insurance premiums written through independent insurance agents or brokers on a national basis for commercial customers. Since its commencement of operations, First Premium has

consistently expanded its umbrella of operations to include additional states in which it can operate. As such, Wintrust is a growth oriented company which is still undertaking to establish additional market share in the communities and industries it serves.

The management of Wintrust presents the following discussion and analysis of its financial condition as of September 30, 1997, compared with December 31, 1996, and September 30, 1996, and the results of operations for the periods ending September 30, 1997 and 1996. This discussion should be read in conjunction with the Company's unaudited consolidated financial statements contained in this report.

OVERVIEW

Wintrust reported net income for the quarter ended September 30, 1997 of \$1,311,000 compared to net income of \$301,000 in the third quarter of the prior year. For the nine months ended September 30, 1997, net income was \$3,166,000 compared with a net loss of \$1,521,000 for the first nine months of 1996. A significant factor contributing to the net income in 1997 was the recording of net tax benefits of \$773,000 and \$2,399,000 in the three month and nine month periods ending September 30, 1997, respectively. The income tax benefit recorded in 1997 reflected management's determination that certain of the Company's subsidiaries 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. Excluding the impact of income taxes, the Company recorded operating income of \$538,000 and \$767,000 for the three months and nine months ended September 30 1997, respectively, compared with operating income of \$122,000 and operating loss of \$1,555,000 for the same periods ending September 30, 1996. The improvement in operating results was due to the enhanced performance of the Company's four banking subsidiaries that existed as of September, 1996. The improvement accomplished at those subsidiaries, however, was offset by an expected pre-tax loss of approximately \$1.1 million at Barrington in the first nine months of 1997. Barrington, the Company's newest de novo bank, was opened in December, 1996. Additionally, the 1997 results were negatively impacted by the costs associated with the first year of operations at the Company's full services banking facility opened in Clarendon Hills, Illinois in August, 1996, and the opening of a new drive-up banking facility in Lake Forest, Illinois during February, 1997.

The loss in 1996 was attributable in part to start up costs associated with full service banking operations in (a) Libertyville, Illinois via a newly chartered de novo bank during October, 1995, and (b) branch banking facilities in Glencoe, Illinois (October, 1995) and Winnetka, Illinois (May, 1996). Additionally, North Shore and Hinsdale opened separately located drive-up/walk-up facilities in the fourth quarter of 1995. Generally, a community bank's results of operations are reliant upon the net interest income to produce an overall profit for the bank. However, as these banking locations were only operational for less than one year, the revenues generated through the net interest income were not sufficient to offset organizational expenses and the overhead established to support full service banking operations, as has been typical during the first twelve to fifteen months of the Company's start-up banking operations and was anticipated by management during its planning of these facilities.

Total assets were \$973.0 million at September 30, 1997, up approximately \$267.0 million, or 38%, from \$706.0 million at December 31, 1996. Total loans were \$694.2 million at September 30, 1997, an increase of \$201.6 million, or 41%, from \$492.5 million at year-end. Deposits reached \$881.3 million, up \$263.3 million or 43%, from \$618.0 million at year-end 1996. Shareholders' equity rose to \$66.9 million, an increase of \$24.3 million

from the year-end level of \$42.6 million due primarily to the proceeds received from the Company's common stock offering and the Company's net earnings for the first nine months of the year.

CONSOLIDATED RESULTS OF OPERATIONS

NET INTEREST INCOME

Net interest income is defined as the difference between interest income and fees on earning assets and interest expense on deposits and borrowings. The related net interest margin represents the net interest income on a fully tax equivalent basis as a percentage of average earning assets during the period. The following table presents a summary of Wintrust's net interest income and related net interest margin, calculated on a fully taxable equivalent basis (dollars in thousands).

	NINE MONTHS ENDED SEPTEMBER 30, 1997			Nine Months Ended September 30, 1996		
	AVERAGE	INTEREST	RATE	Average	Interest	Rate
Interest bearing deposits with banks	\$ 16,670	\$ 690	5.52%	\$ 31,478	\$ 1,323	5.60%
Federal funds sold	58,644	2,379	5.41	43,805	1,733	5.27
Investment securities*	68,067	2,779	5.44	81,697	3,307	5.40
Loans, net of unearned discount*	598,138	40,409	9.01	332,150	21,063	8.46
Total earning assets	\$ 741,519	\$ 46,257	8.32%	\$ 489,130	\$ 27,426	7.48%
Interest-bearing deposits	\$ 659,164	\$ 26,161	5.29%	\$ 420,109	\$ 16,000	5.08%
Term debt and short-term borrowings	13,325	663	6.63	15,949	1,011	8.45
Total interest-bearing liabilities	\$ 672,489	\$ 26,824	5.32%	\$ 436,058	\$ 17,011	5.20%
Taxable equivalent net interest income		\$ 19,433			\$ 10,415	
Net interest spread			3.00%			2.28%
Net interest margin			3.49%			2.84%

* - Interest income on tax advantaged investment securities and loan reflects a tax equivalent adjustment based on a marginal federal corporate tax of 34%. The total tax-equivalent adjustment reflected in the above table is \$52,000 and \$28,000 in 1997 and 1996, respectively.

The net interest margin increased 0.65% to 3.49% in the first nine months of 1997 from 2.84% for the same period one year ago. The increase in the net interest margin was primarily the result of a shift in the composition of the earning asset portfolio whereby loans constituted approximately 81% of the average earning assets during the nine months ending September 30, 1997 compared to only 68% over the same period one year ago. Contributing to the increase of loans is the fact that the Company is now maintaining the premium finance loans originated by First Premium as assets of the subsidiary banks. First Premium had previously funded its loan generation through a securitization facility whereby most loans were sold into the secondary market, with servicing retained by First Premium. The cost of First Premium's funding was more expensive than the cost of

funds that could be provided by the subsidiary banks' deposit base. As such, subsequent to the consummation of the merger in September 1996, First Premium has sold their loan production to the subsidiary banks. On a consolidated basis, the sale of the loans to the banks has resulted in a larger net interest margin in the first three quarters of 1997 as the high yielding insurance premium loans remain on the books of the Company using a lower overall cost of funds. As of September 30, 1997, the subsidiary banks have absorbed virtually all of the loan volume of First Premium.

Additionally, the Company's borrowing costs have been reduced by lower rates charged on term debt. During the first eight months of 1996, each of the predecessor companies were distinct entities with relatively higher borrowing rates. As a result of the consummation of the merger and consolidation of the debt outstanding at each of the predecessor companies, Wintrust was able to secure more favorable interest rate terms from its lender.

Despite an increase in the net interest margin as discussed above, the Company's net interest margin is low compared to industry standards for a variety of reasons. First, as de novo banking institutions, Wintrust's subsidiary banks have been aggressive in providing competitive loan and deposit interest rates to the communities served. Next, Wintrust's subsidiary banks originate primarily high quality loans as opposed to originating higher yielding loans that bring more credit risk with them. Also, the subsidiary banks have purposefully maintained an investment portfolio that is short-term in nature in order to facilitate the funding of quality loan demand as it emerged and to keep the banks in a liquid condition in the event that deposit levels fluctuated. In the current interest rate environment, the short-term investment portfolio has been yielding less than a portfolio with extended maturities; however, management believed that this method of investing was prudent given the de novo status of the banks.

RECONCILIATION OF THE NET INTEREST INCOME ACCORDING TO RATE AND VOLUME VARIANCES

The following table presents a reconciliation of Wintrust's net interest income, calculated on a fully taxable equivalent basis between the nine month periods ended September 30, 1996 and September 30, 1997. The reconciliation sets forth the change in the net interest income as a result of changes in volumes, changes in rates and the change due to the combination of volume and rate changes (in thousands):

Fully tax equivalent net interest income for the nine months ended September 30, 1996	\$ 10,415
Change due to average earning assets fluctuations (volume)	5,376
Change due to interest rate fluctuations (rate)	2,400
Change due to rate/volume fluctuations (mix)	1,242

Fully tax equivalent net interest income for the nine months ended September 30, 1997	\$ 19,433
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NONINTEREST INCOME

Total noninterest income decreased approximately \$2.3 million, or 38%, to \$3.6 million for the first nine months of 1997, as compared with \$5.9 million in 1996. The following table presents noninterest income by category (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30, 1997	1996	THREE MONTHS ENDED SEPTEMBER 30, 1997	1996
Fees on mortgage loans sold	\$ 1,496	\$ 1,023	\$ 579	\$ 362
Gains on sale of premium finance loans	-	2,659	-	799
Loan servicing fees - Mortgage loans	69	41	26	16
Loan servicing fees - Securitization	261	994	50	336
Service charges on deposit accounts	553	309	227	124
Trust fees	471	412	162	153
Securities gains, net	-	18	-	-
Other income	772	400	58	180
Total noninterest income	\$ 3,622	\$ 5,856	\$ 1,102	\$ 1,970

Beginning in the fourth quarter of 1996, First Premium began selling premium finance loans to the Company's banking subsidiaries. Previously, such loans had been sold to a third-party securitization facility whereby gains on the sale of such loans and related servicing fees were recorded. Fee income earned in 1997 by First Premium in conjunction with the sale and servicing of such loans to the subsidiary banks was eliminated as an intercompany transaction. Consequently, gains on the sale of premium finance loans sold and loan servicing fees decreased from 1996 to 1997. Although these income categories declined in 1997, the Company's net interest margin was impacted positively by the additional interest income that the bank subsidiaries earn over the life of such loans.

Fees on mortgage loans sold relate to income derived by the subsidiary banks for services rendered in originating and selling residential real estate loans into the secondary market. Such fees rose 46% in the first nine months of 1997 to \$1.5 million from \$1.0 million in 1996 due to increased loan volumes.

Service charges on deposit accounts rose 79% to \$553,000 for the nine months ended September 30, 1997 from \$309,000 from the year ago period. The increase is primarily a result of a 60% increase in deposit balances from September 30, 1996 to September 30, 1997. The majority of service charges on deposit accounts relates to customary fees on accounts in overdraft positions and for returned items on an account. The level of service charges received on deposit accounts is substantially below peer group levels as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

Trust fees increased to \$471,000 for the nine months ended September 30, 1997, up 14% from the \$412,000 earned in the same period of 1996. The continuing efforts of the trust management team to establish new account relationships and to provide high quality customer service has resulted in a steady increase in trust fees.

Other noninterest income in 1997 increased to \$772,000 from \$400,000 one year earlier. The increase is primarily related to the settlement of a lawsuit. Excluding the impact of such settlement, other noninterest income remained relatively stable.

NONINTEREST EXPENSE

Total noninterest expense increased approximately \$3.2 million, or 20%, to \$19.7 million for the first nine months of 1997, as compared with \$16.5 million for the same period of 1996. The following table presents noninterest expenses by category (in thousands):

	NINE MONTHS ENDED SEPTEMBER 30, 1997	1996	THREE MONTHS ENDED SEPTEMBER 30, 1997	1996
Salaries and employee benefits	\$ 10,401	\$ 8,133	\$ 3,532	\$ 2,883
Net occupancy expense	1,434	1,245	497	449
Data processing	982	732	339	260
Advertising and marketing	932	710	360	282
Non-recurring merger expenses	-	850	-	-
Other	5,975	4,784	2,218	1,465
Total noninterest expense	\$ 19,724	\$ 16,454	\$ 6,946	\$ 5,339

Salaries and employee benefits increased 28% to \$10.4 million for the nine months ended September 30, 1997, as compared with \$8.1 million for the same period of the prior year. The increase of approximately \$2.3 million is partially the result of one additional bank (Barrington), one additional full-service branch banking facility located in Clarendon Hills, Illinois and a drive-up banking facility in Lake Forest that were in operation during the first nine months of 1997 but were not operational during, or for a substantial portion of, the first nine months of 1996. Barrington accounted for approximately \$800,000 of the salaries and employee benefits expense for the nine months ending September 30, 1997. In addition to the increased staffing to support the new banking facilities, the growth in deposit and loan accounts at the previously existing banking locations required additional staffing. Also, contributing to the increase in salaries were normal salary increases.

Occupancy expenses increased 15%, for the nine months ended September 30, 1997 to \$1.4 million from \$1.2 million for the same period of 1996, due primarily to the addition of Barrington and additional branch locations.

For the nine months ended September 30, 1997, data processing expenses were \$1.0 million, or 34%, over the \$732,000 expensed in the first nine months of 1996. Data processing expenses are highly dependent on the number of accounts processed by the Banks. As a result, higher deposit and loan balances from the year-ago level of approximately 60% and 68%, respectively, were the primary reason for the increases in this expense category. Additionally, the first nine months of 1997 included data processing costs for Barrington which opened in December 1996.

Marketing expenses increased 31% to \$932,000 for the first nine months of 1997 compared to \$710,000 for the 1996 period. The continued growth in banking locations caused the higher level of marketing expenditures. Management anticipates proportional increases in marketing expense will be incurred in future quarters as Wintrust continues to establish its base of customers and promotes the opening of additional banking locations.

Non-recurring merger related expenses were \$850,000 through the first nine months of 1996. They consist of various legal, accounting, and tax consulting expenses; printing and Securities and Exchange Commission filing expenses; and other applicable expenses to consummate the merger transaction that resulted in the consolidated Wintrust entity. Because the merger was consummated in 1996, no such expenses are applicable in 1997.

Other noninterest expenses increased by 25%, to \$6.0 million for the nine months ended September 30, 1997 from \$4.8 million for the first nine months of 1996. This category of expenses contains insurance expense, stationary and supplies expense, postage expense, legal fees, audits and examinations expense, amortization of organizational costs, and other sundry expenses. The increase in this category of expenses is generally a result of originating and servicing the growing deposit and loan balances.

Despite the increases in various noninterest expense categories during the first half of 1997 compared to 1996, Wintrust's ratio of noninterest expenses to total average assets declined to 3.2% in 1997 from the 1996 level of 3.9%, excluding the non-recurring merger expenses, reflecting management's commitment to maintaining low overhead costs while providing superior customer service. Additionally, Wintrust's net overhead ratio of 2.6% for the nine months ended September 30, 1997 is approximately the same as the Company's peer group.

INCOME TAXES

The Company recorded an income tax benefit of \$2.4 million for the first nine months of 1997, whereas an income tax benefit of approximately \$34,000 was recorded in the same period of 1996. Prior to the merger date of September 1, 1996, each of the merging companies except Lake Forest 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, during 1996, certain valuation allowances were established against deferred tax assets with the combined result being that a minimal amount of federal tax expense or benefit was recorded. As the entities become profitable, the recognition of previously unvalued tax loss benefits are available, subject to certain limitations, to offset tax expense generated from profitable operations. The income tax benefit recorded in 1997 reflected management's determination that certain of the subsidiaries' 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.

FINANCIAL CONDITION

INTEREST-EARNING ASSETS

Wintrust's consolidated total assets at September 30, 1997 were \$973.0 million, a 38% increase from the prior year-end level of \$706.0 million, and a 57% increase from the September 30, 1996 level of \$621.3 million as a result of strong deposit growth. Total loans at September 30, 1997 were \$694.2 million, an increase of 41%, from \$492.6 million at the prior year-end, and an increase of 68% from the level one year ago. As can be seen from the table below, the growth in the loan portfolio has been diversified amongst all categories of loans with

each categories' percentage to total earning assets staying relatively constant. However, the level of premium finance loans in relation to total earning assets has increased more than other earning assets since the prior year-end. The increase in premium finance receivables reflects the change to internally financing First Premium loans by the Company's banking subsidiaries from being sold through a securitization facility as was done during the first three quarters of 1996.

At September 30, 1997, total securities and other money market investments (i.e. federal funds sold and interest-bearing deposits with banks) were \$194.8 million, up 48% from \$132.0 million at December 31, 1996, and 29% higher than their year-ago level of \$151.2 million. The increase in securities and money market investments is a result of deposit funds being invested in this category as deposit growth has increased at a more rapid pace than the growth in the loan portfolio. As of September 30, 1997, total securities and money market investments were comprised of 14% in U.S. Treasury and government agency securities, 26% in short-term interest-bearing deposits with banks, 39% in overnight federal funds sold, and 22% in other debt and equity securities. As a result of the significant growth in deposit and loans, it has been Wintrust's policy to maintain its investment portfolio in short-term, liquid, and diversified high credit quality investments. Wintrust maintained no trading account securities at September 30, 1997 or in any of the other previous reporting periods.

The following table sets forth Wintrust's end of period earning assets by category and their respective balance and percent of total earning assets.

	SEPTEMBER 30, 1997		December 31, 1996		September 30, 1996	
Loans:	BALANCE	PERCENT	Balance	Percent	Balance	Percent
Commercial and commercial real estate	\$237,095	27%	\$ 182,403	29%	\$167,445	30%
Premium finance	129,100	15	57,453	9	15,120	3
Indirect auto	129,050	15	89,999	15	79,068	14
Home equity	110,042	12	87,303	14	80,034	14
Residential real estate	58,498	6	51,673	8	50,576	9
Other	30,367	3	23,717	4	22,162	4
Total loans	694,152	78	492,548	79	414,405	74
Federal funds sold, money market deposits and securities	194,806	22	131,955	21	151,157	26
Total earning assets	\$888,958	100%	\$ 624,503	100%	\$565,562	100%

DEPOSITS

Total deposits at September 30, 1997 were 43% higher than the year-end 1996 level of \$618.0 million and 60% higher than the year-ago level of \$549.3 million. The following table sets forth the composition of the deposit balances by category and those categories' relative percentage of the total deposits as of the date specified.

	SEPTEMBER 30, 1997		December 31, 1996		September 30, 1996	
	BALANCE	PERCENT OF TOTAL	Balance	Percent of Total	Balance	Percent of Total
Demand	\$ 77,136	9%	\$ 67,164	11%	\$ 55,523	10%
NOW	76,917	9	57,490	9	52,658	10
Money market	149,436	17	105,508	17	87,475	16
Savings	55,758	6	63,469	10	55,194	10
Certificates of deposit	522,063	59	324,398	53	298,453	54
Total	\$881,310	100%	\$ 618,029	100%	\$549,303	100%

The continued growth in deposit accounts for the nine months ended September 30, 1997 is due primarily to the new markets served, new facilities and increase in market share in communities served.

SHAREHOLDERS' EQUITY

Shareholders' equity grew to \$66.9 million at September 30, 1997, from \$42.6 million at December 31, 1996. The primary components of the change in shareholders' equity are the additional issuance of equity capital through a common stock offering of \$20.4 million, year-to-date net income of approximately \$3.2 million and the proceeds from the exercise of certain stock options of \$754,000. The proceeds of the stock offering in the first quarter were used to retire debt and for general corporate purposes.

During the first half of 1997 the Company completed its direct subscription and community offering of its Common Stock. The aggregate sale was 1,397,512 shares of common stock at a price of \$15.50 per share, including 420,000 shares which were underwritten by EVEREN Securities, Inc. The net proceeds (gross proceeds less issuance costs) from the sale of these shares were approximately \$20.4 million.

The following table reflects various consolidated measures of capital at September 30, 1997, December 31, 1996 and September 30, 1996:

	SEPTEMBER 30, 1997	December 31, 1996	September 30, 1996
Leverage ratio	7.3%	6.4%	6.5%
Ending tier 1 capital to risk-adjusted asset ratio	8.6%	7.3%	8.9%
Ending total capital to risk-adjusted asset ratio	9.3%	8.0%	9.7%
Dividend payout ratio	0.0%	0.0%	0.0%

The Company's consolidated leverage ratio (Tier 1 capital less intangibles/average quarterly assets less intangibles) was 7.3% September 30, 1997 which places the Company above the "well capitalized" regulatory level. Consolidated Tier 1 and total risk-based capital ratios were also above the "well capitalized" regulatory levels at 8.6% and 9.3%, respectively. Based on guidelines established by the Federal Reserve Bank, a bank holding company is required to maintain a Tier 1 capital to risk-adjusted asset ratio of 4.0% and a total capital to risk-adjusted asset ratio of 8.0%. Management is not aware of any known trends, events, regulatory recommendations or uncertainties that will have any adverse effect on Wintrust's capital resources.

ASSET QUALITY

Allowance for Possible Loan Losses

A reconciliation of the activity in the balance of the allowance for possible loan losses for the nine and three month periods under review is shown as follows (dollars in thousands):

	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Balance at beginning of period	\$3,636	\$2,763	\$4,432	\$3,378
Provision for possible loan losses	2,512	1,344	958	451
Loans charged-off				

Core banking loans	146	183	72	53
Premium finance	722	92	136	42
Financing leases	197	99	162	-
Indirect auto	155	-	63	-

Total loans charged-offs	1,220	374	433	95

Recoveries				

Core banking loans	42	16	22	15
Premium finance	36	-	27	-
Financing leases	-	-	-	-
Indirect auto	7	-	7	-

Total recoveries	85	16	56	15

Net loans charged off	(1,135)	(358)	(377)	(80)

Balance at September 30	\$5,013	\$3,749	\$5,013	\$3,749
=====				
Loans at September 30	\$694,152	\$414,405		
=====				
Allowance as a percentage of loans	0.72%	0.90%		
=====				
Annualized net charge-offs as a percentage of : Loans	0.22%	0.12%		
=====				
Annualized provision for possible loan losses	45.17%	26.64%		
=====				

Management believes that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. Control of loan quality is continually monitored by management and is reviewed by the Board of Directors and its Credit Committee on a monthly basis. 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. 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.

Commercial insurance premium financing loans are generally secured by unearned insurance premiums. If a borrower defaults, First Premium seeks to obtain a refund of unearned premiums from the insurer. First Premium bears the credit risk of collections from the insurer. In the event an insurer becomes insolvent and unable to pay claims to an insured or refund unearned premiums upon cancellation of a policy to a finance company, each state provides a state guaranty fund that will pay such a refund, less a per claim deductible in certain states. First Premium diversifies its financing activities among a wide range of brokers and insurers.

Past Due Loans and Non-performing Assets

The following table sets forth the Company's non-performing assets at the periods indicated. The information in the table should be read in conjunction with the detailed discussion following the table (dollars in thousands).

	SEPTEMBER 30, 1997 ----	December 31, 1996 ----	September 30, 1996 ----
Past Due greater than 90 days and still accruing:			
Core banking loans	\$ 611	\$ 75	\$ 161
Indirect automobile loans	9	20	18
Premium finance loans	1,081	- *	- *
	-----	-----	-----
	1,701	95	179
	-----	-----	-----
Non-accrual loans:			
Core banking loans	277	448	743
Indirect automobile loans	40	-	21
Premium finance loans	2,597	1,238 *	1,238 *
	-----	-----	-----
	2,914	1,686	2,002
	-----	-----	-----
Total non-performing loans:			
Core banking loans	888	523	904
Indirect automobile loans	49	20	39
Premium finance loans	3,678	1,238 *	1,238 *
	-----	-----	-----
	4,615	1,781	2,181
	-----	-----	-----
Other real estate owned	-	-	-
	-----	-----	-----
Total non-performing assets	\$ 4,615	\$ 1,781 *	\$ 2,181 *
	=====	=====	=====
Total non-performing loans by category as a percent of its own respective category:			
Core banking loans	0.21%	0.15%	0.28%
Indirect automobile loans	0.04%	0.02%	0.05%
Premium finance loans	2.78%	2.15%	8.34%
	-----	-----	-----
Total loans	0.66%	0.36%	0.53%
	-----	-----	-----
Total non-performing assets as a percentage of total assets:	0.47%	0.25%	0.35%
Allowance for loan losses as a percentage of non-performing loans	108.64%	204.15%	171.89%

* - Information is not comparable to September 30, 1997 amounts. Please refer to the discussion in the paragraph below titled "Non-performing Premium Finance Loans."

Non-performing Core Banking Loans:

Total non-performing loans for the Company's core banking business totaled \$887,000 or 0.21% of the Company's core banking loans. The \$887,000 is comprised of only twelve loans. The small number of borrowers allows management the opportunity to monitor closely the status of these credits and work with the borrowers to resolve these problems effectively. Management believes that each of these loans are well secured and are actively being collected. As such, minimal, if any, losses are currently anticipated on these loans.

Non-performing Premium Finance Loans

The major category of non-performing loans at September 30, 1997 is premium finance loans. Due to the nature of the collateral, it customarily takes 60-150 days to convert the collateral into cash collections. Accordingly, it is important to note that the level of non-performing premium finance loans is not necessarily indicative of the loss inherent in the portfolio. 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 generally be sufficient to cover the loan balance, the interest and other charges due as well. Due to the notification requirements and the time to process the return of the unearned premium by most insurance carriers, many loans will become delinquent beyond 90 days while the processing of the unearned premium to the Company occurs. Management continues to accrue interest in the event that the return of the unearned premium by the insurance carrier is sufficient to pay-off the outstanding principal and contractual interest due.

Total non-performing premium finance loans as of September 30, 1997 were approximately \$3.7 million or 2.78% of the outstanding premium finance loan balance. However, for the nine months ended September 30, 1997, management has recorded net charge-offs of only \$695,000, or 0.79% of the average outstanding premium finance loan balance on an annualized basis. Management has recently implemented additional collection procedures and systems to reduce the level of net charge-offs on premium finance loans; however, the existing level of net charge-offs of premium finance loans is acceptable based on an average gross yield from interest and late fees in excess of 12%.

The amount of non-performing premium finance loans at December 31, 1996 and September 30, 1996 were significantly less because, prior to October 1996, the Company had sold its originated loans to a securitization facility. In October 1996, the Company began retaining all originated loans, and the Company terminated the securitization facility during the third quarter of 1997. If the loans sold to the securitization facility had been retained by the Company, the level of non-performing premium finance loans would have been approximately as follows at the dates indicated:

	Non-performing Premium Finance Loans	Percent of Premium Finance Loans Outstanding
September 30, 1997	\$3.7 million	2.8%
December 31, 1995	\$3.9 million	3.7%
September 30, 1996	\$3.2 million	2.9%

Accordingly, the level of non-performing premium finance loans has remained relatively consistent as of the dates indicated based upon the amount of non-performing premium finance loans as a percent of total loans serviced and in absolute dollar terms.

Potential Problem Loans

In addition to those loans disclosed under "Past Due Loans and Non-performing Assets", there are certain loans in the portfolio which management has identified, through its 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 September 30, 1997 and December 31, 1996 were approximately \$2.3 million and \$1.1 million, respectively.

LIQUIDITY AND INTEREST RATE SENSITIVITY

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

Interest rate sensitivity is the fluctuation in earnings resulting from changes in market interest rates. Wintrust continuously monitors not only the organization's current net interest margin, but also the historical trends of these margins. In addition, Wintrust also attempts to identify potential adverse swings in net interest income in future years, as a result of interest rate movements, by performing computerized simulation analysis of potential interest rate environments. If a potential adverse swing in net interest margin and/or net income are identified, Wintrust then would take appropriate actions within its asset/liability structure to counter these potential adverse situations. Please refer to the section entitled "NET INTEREST INCOME" for further discussion.

INFLATION

A banking organization's assets and liabilities are primarily monetary. Changes in the rate of inflation do not have as great an impact on the financial condition of a bank as do changes in interest rates. Moreover, interest

rates do not necessarily change at the same percentage as does inflation. An analysis of a banking organization's asset and liability structure provides the best indication of how a banking organization is positioned to respond to changing interest rates and maintain profitability.

IMPACT OF NEW ACCOUNTING STANDARDS

Statement of Financial Accounting Standards No. 128:

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" (SFAS No. 128). SFAS No. 128 supersedes APB Opinion 15, "Earnings Per Share," and specifies the computation, presentation and disclosure requirements for earnings per share (EPS) for entities with publicly held common stock or potential common stock. SFAS No. 128 was issued to simplify the computations of EPS and to make the United States standard more compatible with EPS standards of the International Accounting Standards Committee. It replaces the presentation of primary and fully-diluted EPS, respectively. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures and requires a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation.

Basic EPS, unlike primary EPS, excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Diluted EPS is computed similarly to fully-diluted EPS under APB 15.

SFAS No. 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997 and is not expected to have a material impact on the Company.

Statement of Financial Accounting Standards No. 129:

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 129, "Disclosure of Information about Capital Structure" (SFAS No. 129). SFAS No. 129 provides required disclosures for the capital structure of companies and is effective for financial statements for periods ending after December 15, 1997. The required disclosures had been included in a number of separate statements and opinions. As such, the issuance of SFAS No. 129 is not expected to require significant revision of prior disclosures.

Statement of Financial Accounting Standards No. 130:

In June, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130). SFAS No. 130 was issued to address concerns over the practice of reporting elements of comprehensive income directly in equity. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general purpose financial statements. SFAS No. 130 requires all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed in equal

prominence with the other financial statements. The statement does not require a specific format for that financial statement but requires that a company display an amount representing total comprehensive income for the period in that financial statement. SFAS No. 130 is effective for both interim and annual financial statements for periods beginning after December 15, 1997. Comparative financial statements provided for earlier periods are required to be reclassified to reflect the provisions of this statement.

Statement of Financial Accounting Standards No. 131:

In June, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131). SFAS No. 131 was issued in response to requests from financial statement users for additional and better segment information. The statement requires a variety of disclosures to better explain and reconcile segment data so that a user of the financial statements can be better enabled to understand the information and its limitations within the context of the consolidated financial statements. SFAS No. 131 is effective for financial statements for periods beginning after December 15, 1997. In the initial year of application, comparative information for earlier years is to be restated, unless it is impracticable to do so. SFAS No. 131 need not be applied to interim financial statements in the initial year of its application, but comparative information for interim periods in the initial year of application shall be reported in financial statements for interim periods in the second year of application.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements may be deemed to include, among other things, statements relating to anticipated improvements in financial performance and management's long-term performance goals, as well as statements relating to the Company's business and growth strategies, including anticipated internal growth, plans to form additional de novo banks and new branch offices, and to pursue additional potential development or acquisition of specialty finance businesses. Actual results could differ materially from those addressed in the forward-looking statements as a result of the following factors:

- * The level of reported net income, return on average assets and return on average equity for the Company will in the near term continue to be impacted by start-up costs associated with de novo bank and branching operations. Management believes that de novo banks may typically require 18 months to three years of operations before becoming profitable, due to the impact of organizational and overhead expenses, the startup phase of generating deposits and the time lag typically involved in redeploying deposits into attractively priced loans and other higher yielding earning assets.
- * The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- * Although management believes the allowance for loan losses is adequate to absorb losses on any existing loans that may become uncollectible, there can be no assurance that the allowance will prove sufficient to cover actual loan losses in the future.

- * If market interest rates should move contrary to the Bank's position on interest earning assets and interest bearing liabilities, the "gap" will work against the Banks and their net interest income may be negatively affected.
- * The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- * The Company's ability to adapt successfully to technological changes to compete effectively in the marketplace
- * The economic environment may influence growth in loans and deposits.

Subsequent Events - Additional Facilities

On November 12, 1997, Hinsdale Bank opened a new branch facility in Western Springs, Illinois. This branch facility brings the Company's total banking locations to sixteen. Additionally, in October, 1997, the Company filed applications with the appropriate bank regulatory agencies to establish a de novo bank in Crystal Lake, Illinois. The opening of the bank is subject to the approval of the bank regulatory agencies. When approved, this bank will become the sixth bank subsidiary of the Company.

PART II

ITEM 1: LEGAL PROCEEDINGS

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

ITEM 2: CHANGE IN SECURITIES

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

ITEM 3: DEFAULTS UNDER SENIOR SECURITIES

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

ITEM 4: MATTERS SUBMITTED TO A VOTE OF SECURITY HOLDERS

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

ITEM 5: OTHER INFORMATION

None.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

* Computation of Net Income Per Common Share - Exhibit 11

* Financial Data Schedule - Exhibit 27

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by the Company during the quarter ended September 30, 1997.

SIGNATURES

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

WINTRUST FINANCIAL CORPORATION (Registrant)

Date: November 14, 1997

*/s/ Edward J. Wehmer
President & Chief Operating Officer*

Date: November 14, 1997

*/s/ David A. Dykstra
Executive Vice President
& Chief Financial Officer
(Principal Accounting Officer)*

EXHIBIT INDEX

Exhibit 11 Computation of Net Income Per Common Share

Exhibit 27 Financial Data Schedule

EXHIBIT 11

WINTRUST FINANCIAL CORPORATION
COMPUTATION OF NET INCOME PER COMMON SHARE
(in thousands, except per share data)

		NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
		1997	1996	1997	1996
Net income (loss)	(A)	\$3,166	\$(1,521)	\$1,311	\$301
Average common shares outstanding		7,631	5,992	8,059	6,212
Average common share equivalents	(1)	486	-	528	634
Weighted average common shares and common share equivalents	(B)	8,117	5,992	8,587	6,846
Net income (loss) per average common share	(A/B)	\$ 0.39	\$ (0.25)	\$ 0.15	\$ 0.04

(1) 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 nine-month period ended September 30, 1996, 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 decreasing the loss per share amount otherwise computed.

ARTICLE 9

This schedule contains summary financial information extracted from the quarterly unaudited financial statements of Wintrust Financial Corporation for the nine months ended September 30, 1997, and is qualified in its entirety by reference to such financial statements.

CIK: 0001015328

NAME: WINTRUST FINANCIAL CORPORATION

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD START	JAN 01 1997
PERIOD END	SEP 30 1997
CASH	34,871
INT BEARING DEPOSITS	50,023
FED FUNDS SOLD	75,077
TRADING ASSETS	0
INVESTMENTS HELD FOR SALE	64,705
INVESTMENTS CARRYING	5,001
INVESTMENTS MARKET	4,952
LOANS	694,152
ALLOWANCE	5,013
TOTAL ASSETS	972,970
DEPOSITS	881,310
SHORT TERM	0
LIABILITIES OTHER	8,841
LONG TERM	15,903
PREFERRED MANDATORY	0
PREFERRED	0
COMMON	8,103
OTHER SE	58,813
TOTAL LIABILITIES AND EQUITY	972,970
INTEREST LOAN	40,361
INTEREST INVEST	5,844
INTEREST OTHER	0
INTEREST TOTAL	46,205
INTEREST DEPOSIT	26,162
INTEREST EXPENSE	26,824
INTEREST INCOME NET	19,381
LOAN LOSSES	2,512
SECURITIES GAINS	0
EXPENSE OTHER	19,724
INCOME PRETAX	767
INCOME PRE EXTRAORDINARY	3,166
EXTRAORDINARY	0
CHANGES	0
NET INCOME	3,166
EPS PRIMARY	0.39
EPS DILUTED	0.39
YIELD ACTUAL	3.49
LOANS NON	2,914
LOANS PAST	1,701
LOANS TROUBLED	0
LOANS PROBLEM	2,300
ALLOWANCE OPEN	3,636
CHARGE OFFS	(1,220)
RECOVERIES	85
ALLOWANCE CLOSE	5,013
ALLOWANCE DOMESTIC	3,333
ALLOWANCE FOREIGN	0
ALLOWANCE UNALLOCATED	1,680

End of Filing

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