

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 MARCH 31, 1998
Commission File Number 0-21923

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Illinois

36-3873352

(State of incorporation of organization)

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

727 North Bank Lane
Lake Forest, Illinois 60045
(Address of principal executive offices)

(847) 615-4096

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ 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, 8,148,772 shares, as of May 13, 1998.

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

	MARCH 31, 1998	December 31, 1997	March 31, 1997
ASSETS			
Cash and due from banks-noninterest bearing	\$ 33,822	\$ 32,158	\$ 23,976
Federal funds sold	36,701	60,836	46,319
Interest-bearing deposits with banks	71,271	85,100	15,001
Available-for-Sale securities, at market value	183,443	101,934	62,650
Held-to-Maturity securities, at amortized cost	5,001	5,001	5,001
Loans, net of unearned income	758,235	712,631	566,894
Less: Allowance for possible loan losses	5,665	5,116	4,073
Net loans	752,570	707,515	562,821
Premises and equipment, net	48,418	44,206	31,892
Accrued interest receivable and other assets	18,993	14,894	14,997
Goodwill and organizational costs	1,708	1,756	1,914
Total assets	\$ 1,151,927	\$ 1,053,400	\$ 764,571
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Noninterest bearing	\$ 95,705	\$ 92,840	\$ 74,850
Interest bearing	950,029	824,861	607,343
Total deposits	1,045,734	917,701	682,193
Short-term borrowings	-	35,493	-
Notes payable	22,903	20,402	6,503
Other liabilities	13,326	11,014	12,344
Total liabilities	1,081,963	984,610	701,040
Shareholders' equity			
Preferred stock	-	-	-
Common stock	8,137	8,118	7,997
Surplus	72,796	72,646	71,678
Common stock warrants	100	100	100
Retained deficit	(11,075)	(12,117)	(16,234)
Accumulated other comprehensive income	6	43	(10)
Total shareholders' equity	69,964	68,790	63,531
Total liabilities and shareholders' equity	\$ 1,151,927	\$ 1,053,400	\$ 764,571

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
PERIODS ENDED MARCH 31, 1998 AND 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)

**THREE MONTHS ENDED
MARCH 31**

	1998	1997
Interest income	\$ 19,900	\$ 13,078
Interest expense	11,896	7,826
Net interest income	8,004	5,252
Provision for possible loan losses	1,267	679
Net interest income after provision for possible loan losses	6,737	4,573
Noninterest income	1,683	1,592
Noninterest expense	7,932	6,354
Income before income taxes	488	(189)
Income tax (benefit) expense	(554)	(918)
Net income (loss)	\$ 1,042	\$ 729

EARNINGS PER SHARE DATA:

Net income (loss) per common share - Basic	\$ 0.13	\$ 0.11
Net income (loss) per common share - Diluted	\$ 0.12	\$ 0.10

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

	COMPRE- HENSIVE INCOME	COMMON STOCK	SURPLUS	WARRANTS	RETAINED (DEFICIT)	ACCUMULATED OTHER COMPRE- HENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 1996		\$ 6,603	\$ 52,871	\$ 100	\$ (16,963)	\$ 9	\$ 42,620
Comprehensive Income							
Net income	729	-	-	-	729	-	729
Other Comprehensive Income, net of tax Unrealized gains (losses), net of reclassification adjustment	(19)	-	-	-	-	(19)	(19)
Comprehensive income	\$ 710						
Common stock issued upon exercise of stock options		16	79	-	-	-	95
Common stock issued in conjunction with public offering, net of issuance costs		1,378	18,728	-	-	-	20,106
Balance at March 31, 1997		\$ 7,997	\$ 71,678	\$ 100	\$ (16,234)	\$ (10)	\$ 63,531
Balance at December 31, 1997		\$ 8,118	\$ 72,646	\$ 100	\$ (12,117)	\$ 43	\$ 68,790
Comprehensive Income							
Net income	1,042	-	-	-	1,042	-	1,042
Other Comprehensive Income, net of tax Unrealized gains (losses), net of reclassification adjustment	(37)	-	-	-	-	(37)	(37)
Comprehensive income	\$ 1,005						
Common stock issued upon exercise of stock options		19	150	-	-	-	169
BALANCE AT MARCH 31, 1998		\$ 8,137	\$ 72,796	\$ 100	(\$11,075)	\$ 6	\$ 69,964

	PERIODS ENDING MARCH 31	
	1998	1997
Disclosure of reclassification amount:		
Unrealized holding gains arising during the period	\$ (37)	\$ (19)
Less: reclassification adjustment for gains included in net income	-	-
Unrealized gain on securities	\$ (37)	\$ (19)

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

	THREE MONTHS ENDED MARCH 31,	
	1998	1997

OPERATING ACTIVITIES:		
Net income	\$ 1,042	\$ 729
Adjustments to reconcile net income to net cash used for, or provided by, operating activities:		
Provision for possible loan losses	1,267	679
Depreciation and amortization	638	518
Deferred income tax benefit	(554)	(918)
Net accretion/amortization of investment securities	80	(163)
Decrease (increase) in other assets, net	(3,546)	2,288
Increase (decrease) in other liabilities, net	2,275	(3,949)

NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	1,202	(816)

INVESTING ACTIVITIES:		
Proceeds from maturities of Available-for-Sale securities	144,564	30,170
Purchases of Available-for-Sale securities	(226,153)	(23,270)
Net decrease in interest bearing deposits	13,829	3,731
Net increase in loans	(46,321)	(74,587)
Purchases of premises and equipment, net	(4,802)	(2,102)

NET CASH USED FOR INVESTING ACTIVITIES	(118,883)	(66,058)

FINANCING ACTIVITIES:		
Increase in deposit accounts	128,033	64,164
Decrease in short-term borrowings, net	(35,493)	(7,058)
Proceeds from notes payable	2,501	-
Repayment of notes payable	-	(15,554)
Issuance of common stock, net of issuance costs	169	20,201

NET CASH PROVIDED BY FINANCING ACTIVITIES	95,210	61,753

NET DECREASE IN CASH AND CASH EQUIVALENTS	(22,471)	(5,121)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	92,994	75,416

CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 70,523	\$ 70,295
=====		

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

Wintrust 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 Insurance Funding Corporation ("FIFC"). FIFC is a wholly owned subsidiary of Crabtree Capital Corporation ("Crabtree") which is a wholly owned subsidiary of Wintrust. As of March 31, 1998, Wintrust owned six 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"), Barrington Bank & Trust Company ("Barrington") and Crystal Lake Bank & Trust Company ("Crystal Lake").

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, 1997. Operating results for the three-month periods presented are not necessarily indicative of the results which may be expected for the entire year.

(2) 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.

(3) Earnings Per Share

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.

Basic EPS excludes dilution and is computed by dividing income available to common shareholders 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 this entity.

SFAS No. 128 was effective for financial statements for both interim and annual periods after December 15, 1997. Accordingly, EPS amounts have been presented in accordance with SFAS No. 128 for 1998 and prior periods have been restated to conform to the requirements of such statement.

(4) Comprehensive Income

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. The Company is disclosing comprehensive income in the Statement of Changes in Shareholders' Equity.

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 Insurance Funding Corporation ("FIFC"). FIFC, formerly known as First Premium Services, Inc., is a wholly owned subsidiary of Crabtree Capital Corporation ("Crabtree") which is a wholly owned subsidiary of Wintrust. As of March 31, 1998, Wintrust owned six 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"), Barrington Bank & Trust Company, N.A. ("Barrington") and Crystal Lake Bank & Trust Company, N.A. ("Crystal Lake").

The consolidated Wintrust entity was formed on September 1, 1996 through a merger transaction whereby the holding companies of Lake Forest, Hinsdale, Libertyville and FIFC 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-interests 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. On December 1, 1997 the holding companies of Lake Forest, Hinsdale and Libertyville were merged into Wintrust.

Crystal Lake opened in December, 1997 at a temporary banking location in downtown Crystal Lake. Accordingly, the Company's consolidated financial statements reflects the financial condition and results of operations of Crystal Lake since the date of opening.

The existing operating subsidiaries have all started operations within the last eight 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, Barrington and Crystal Lake began banking operations in December 1991, October 1993, March 1994, October 1995, December 1996 and December 1997, respectively. Subsequent to those initial dates of operations, each of the banks, except Libertyville, Barrington and Crystal Lake have established additional full service banking facilities. FIFC 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, FIFC 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 March 31, 1998, compared with December 31, 1997, and March 31, 1997, and the results of operations for the periods ending March 31, 1998 and 1997. 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 March 31, 1998 of \$1,042,000 compared to net income of \$729,000 in the first quarter of the prior year. A significant factor contributing to the net income was the recording of net tax benefits of \$554,000 and \$918,000 in the three month periods ending March 31, 1998 and 1997, respectively. The income tax benefits recorded in 1998 and 1997 reflect 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 recognized was more likely than not to occur. Excluding the impact of income taxes, the Company recorded operating income of \$488,000 and an operating loss of \$189,000 in the first quarters of 1998 and 1997, respectively. The improvement in operating results was due to the enhanced performance of the Company's five banking subsidiaries that existed as of March, 1997. The improvement accomplished at those subsidiaries, however, was offset by (a) an expected pre-tax loss in the first quarter of 1998 of approximately \$245,000 at the newest de novo bank, Crystal Lake, (opened December 1997), and (b) start up costs associated with branch banking facilities opened in Glencoe (March 1998) and Western Springs, Illinois (November 1997). Additionally, the 1998 results were negatively impacted by an increased provision for loan losses of \$1.3 million compared with \$679,000 in the first quarter of 1997.

The loss in 1997 was attributable in part to start up costs associated with full service banking operations in (a) Barrington, Illinois via a newly chartered de novo bank during December, 1996, and (b) branch banking facilities in Lake Forest (February 1997), Clarendon Hills (August 1996), and Winnetka, Illinois (May 1996). 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 \$1.15 billion at March 31, 1998, up approximately \$98.5 million, or 9%, from \$1.05 billion at December 31, 1997. Total loans were \$758.2 million at March 31, 1998, an increase of \$45.6 million, or 6%, from \$712.6 million at year-end. Deposits reached \$1,045.7 million, up \$128.0 million or 14%, from \$917.7 million at year-end 1997. Shareholders' equity rose to \$70.0 million, an increase of \$1.2 million from the year-end level of \$68.8 million due primarily to the Company's net earnings for the first three 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).

	THREE MONTHS ENDED MARCH 31, 1998			Three Months Ended March 31, 1997		
	AVERAGE	INTEREST	RATE	Average	Interest	Rate
Interest bearing deposits with banks	\$ 70,510	\$ 990	5.62%	\$ 16,167	\$ 227	5.62%
Federal funds sold	60,122	813	5.41	51,213	651	5.09
Investment securities*	121,942	1,729	5.67	72,136	970	5.38
Loans, net of unearned discount*	729,496	16,388	8.99	516,717	11,257	8.71
Total earning assets	\$ 982,070	\$ 19,920	8.11%	\$ 656,233	\$ 13,105	7.99%
Interest-bearing deposits	\$ 877,652	\$ 11,514	5.25%	\$ 580,814	\$ 7,481	5.15%
Term debt and short-term borrowings	22,269	382	6.86	19,833	345	6.96
Total interest-bearing liabilities	\$ 899,921	\$ 11,896	5.29%	\$ 600,647	\$ 7,826	5.21%
Taxable equivalent net interest income		\$ 8,024			\$ 5,279	
Net interest spread			2.82%			2.78%
Net interest margin			3.27%			3.22%

* - 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 \$20,000 and \$27,000 in 1998 and 1997, respectively.

The net interest margin increased slightly to 3.27% in the first three months of 1998 from 3.22% for the same period one year ago. Positive factors driving the net interest margin higher included increased yields on loans, securities and federal funds along with lower yields on term debt and short-term borrowings. Offsetting these factors was an increase in rates paid on deposits of 10 basis points and a slight shift in the mix of interest earning assets whereby average loans as a percentage of average earning assets declined to 74% in 1998 from 79% in 1997.

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. In addition, Wintrust's subsidiary banks originate primarily high quality loans as opposed to originating higher yielding loans that bring more credit risk with them. Finally, the newer de novo banks in

the Company, such as Crystal Lake and Barrington, typically have lower loan-to-deposit ratios than the original four Wintrust banks because loan growth is slower to develop in new markets than deposit growth.

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 three month periods ended March 31, 1997 and March 31, 1998. 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 three months ended March 31, 1997.....	\$ 5,279
Change due to average earning assets fluctuations (volume).....	2,623
Change due to interest rate fluctuations 79(rate).....	79
Change due to rate/volume fluctuations (mix).....	43

Fully tax equivalent net interest income for the three months ended March 31, 1998.....	\$ 8,024
	=====

NONINTEREST INCOME

Total noninterest income increased approximately \$91,000, or 6%, to \$1.7 million for the first three months of 1998, as compared with \$1.6 million in 1997. The following table presents noninterest income by category (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
Fees on mortgage loans sold	\$ 1,191	\$ 425
Loan servicing fees - Mortgage loans	34	21
Loan servicing fees - Securitization	-	155
Service charges on deposit accounts	211	158
Trust fees	166	154
Securities gains, net	-	-
Other income	81	679
	-----	-----
Total noninterest income	\$ 1,683	\$ 1,592
	=====	=====

Fees on mortgage loans sold includes income from originating and selling residential real estate loans to the secondary market as well as the income associated with the retention of mortgage servicing rights. Such fees rose 180% in the first three months of 1998 to \$1.2 million from \$425,000 in 1997 due to a favorable interest rate environment that encouraged original mortgages and re-financings.

Loan servicing fees from securitization in 1997 were derived from the former practice of selling premium finance loans to a third-party securitization facility whereby gains on the sale of such loans and related servicing fees were recorded. Fee income earned in 1998 by FIFC in conjunction with the sale and servicing of such loans to the subsidiary banks was eliminated as an inter-company transaction.

Service charges on deposit accounts rose 34% to \$211,000 for the three months ended March 31, 1998 from \$158,000 from the year ago period. The increase is primarily a result of a 53% increase in deposit balances from March 31, 1997 to March 31, 1998. 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 \$166,000 for the three months ended March 31, 1998, up 8% from the \$154,000 earned in the same period of 1997. 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 1998 decreased to \$81,000 from \$679,000 one year earlier. The decrease is primarily related to the settlement of a lawsuit in 1997. Excluding the impact of such settlement, other noninterest income remained relatively stable.

NONINTEREST EXPENSE

Total noninterest expense increased approximately \$1.6 million, or 25%, to \$7.9 million for the first three months of 1998, as compared with \$6.4 million for the same period of 1997. The following table presents noninterest expenses by category (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
Salaries and employee benefits	\$ 4,278	\$ 3,456
Net occupancy expense	572	482
Data processing	398	321
Advertising and marketing	407	296
Other	2,277	1,799
Total noninterest expense	\$ 7,932	\$ 6,354

Salaries and employee benefits increased 24% to \$4.3 million for the three months ended March 31, 1998, as compared with \$3.5 million for the same period of the prior year. The increase of \$822,000 is partially the result of one additional bank (Crystal Lake), one additional full service facility located in Western Springs, Illinois and a drive-up banking facility in Glencoe that were in operation during the first three months of 1998 but were not operational during the same period of 1997. Crystal Lake accounted for approximately \$200,000 of the salaries and employee benefits expense for the first quarter of 1998. 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 \$90,000, or 19%, to \$572,000 for the three months ended March 31, 1998 from \$482,000 for the same period of 1997, due primarily to the addition of Crystal Lake and additional branch locations.

Data processing expenses increased \$77,000, or 24%, to \$398,000 for the three months ended March 31, 1998 from \$321,000 in the year ago period. 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 53% and 34%, respectively, were the primary reason for the increases in this expense category. Additionally, the first quarter of 1998 included data processing costs for Crystal Lake which opened in December 1997.

Marketing expenses increased \$111,000, or 38%, to \$407,000 for the first three months of 1998 from \$296,000 for the 1997 period. Management provided for a higher level of marketing expenditures to support the continued growth in banking locations and to promote FIFC loan products. 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.

Other noninterest expenses increased by \$478,000, or 27%, to \$2.3 million for the three months ended March 31, 1998 from \$1.8 million for prior year period. This category includes expenses incurred for insurance, stationery and supplies, postage, legal fees, audits and examinations, 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 three months of 1998 compared to 1997, Wintrust's ratio of noninterest expenses to total average assets declined to 3.0% in 1998 from the 1997 level of 3.5%, reflecting management's commitment to maintaining low overhead costs while providing superior customer service. Additionally, Wintrust's net overhead ratio of 2.3% for the three months ended March 31, 1998 is approximately the same as the Company's peer group.

INCOME TAXES

The Company recorded income tax benefit of \$554,000 and \$918,000 for the three months ending March 31, 1998 and 1997, respectively. Prior to the merger date of March 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 1998 and 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 March 31, 1998 were \$1.15 billion, a 9% increase from the prior year-end level of \$1.05 billion, and a 51% increase from the March 31, 1997 level of \$764.6 million as a result of strong

deposit growth. Total loans at March 31, 1998 were \$758.2 million, an increase of 6% from \$712.6 million at the prior year-end, and an increase of 34% from \$566.9 million 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 short term investments in relation to total earning assets has increased more than other earning assets as the growth in the level of deposit funds accelerated at a quicker pace than loan production.

Total securities and other money market investments (i.e. federal funds sold and interest-bearing deposits with banks) were \$296.4 million at March 31, 1998, up 17% from \$252.9 million at December 31, 1997, and 130% higher than their year-ago level of \$129.0 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 March 31, 1998, total securities and money market investments were comprised of 18% in U.S. Treasury and government agency securities, 46% in other debt and equity securities, 24% in short-term interest-bearing deposits with banks and 12% in overnight federal funds sold. Wintrust maintained no trading account securities at March 31, 1998 or in any of the other previous reporting periods.

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 at its subsidiary banks in order to facilitate the funding of quality loan demand as it emerges and to keep the banks in a liquid condition in the event that deposit levels fluctuate. Furthermore, since short-term investments yields are comparable to long-term investment yields in the current interest rate environment there is little incentive to invest in securities with extended maturities.

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

	MARCH 31, 1998		December 31, 1997		March 31, 1997	
	BALANCE	PERCENT	Balance	Percent	Balance	Percent
Loans:						
Commercial and commercial						
real estate	\$253,597	24%	\$235,483	25%	\$199,323	29%
Premium finance	143,373	13	128,453	13	91,832	13
Indirect auto	150,776	14	138,784	14	98,650	14
Home equity	113,765	11	116,147	12	55,087	8
Residential real estate	60,250	6	61,611	6	94,503	14
Installment	36,474	4	32,153	4	27,499	4
Total loans	758,235	72	712,631	74	566,894	82
Federal funds sold, money						
market deposits and securities	296,416	28	252,871	26	128,971	18
Total earning assets	\$1,054,651	100%	\$965,502	100%	\$695,865	100%

DEPOSITS

Total deposits at March 31, 1998 were \$1,045.7 million, or 14% higher than the year-end 1997 level of \$917.7 million and 53% higher than the year-ago level of \$682.2 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.

	MARCH 31, 1998		December 31, 1997		March 31, 1997	
	BALANCE	PERCENT OF TOTAL	Balance	Percent of Total	Balance	Percent of Total
Demand	\$95,705	9%	\$ 92,840	10%	\$ 74,850	11%
NOW	76,728	7	83,301	9	59,377	9
Money market	223,955	22	154,893	17	122,195	18
Savings	67,185	7	61,445	7	57,001	8
Certificates of deposit	582,161	55	525,222	57	368,770	54
Total	\$1,045,734	100%	\$ 917,701	100%	\$ 682,193	100%

The growth in deposit balances is due primarily to the addition of de novo banks and branches in new markets. An equally important factor has been the continued success of marketing the Company's deposit products which has increased market share in the original communities served.

SHAREHOLDERS' EQUITY

Shareholders' equity grew \$1.2 million to \$70.0 million at March 31, 1998, from \$68.8 million at December 31, 1997. The primary components of the change in shareholders' equity are the first quarter's net income of approximately \$1.0 million and the proceeds from the exercise of certain stock options of \$169,000.

The following table reflects various consolidated measures of capital at March 31, 1998, December 31, 1997 and March 31, 1997:

	MARCH 31, 1998	December 31, 1997	March 31, 1997
Leverage ratio	6.0%	6.6%	8.5%
Ending tier 1 capital to risk-adjusted asset ratio	7.4%	8.7%	10.1%
Ending total capital to risk-adjusted asset ratio	8.0%	9.4%	10.8%
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 6.0% at March 31, 1998 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 7.4% and 8.0%, 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%. The Company's capital ratios have declined over the course of the last year due to the continued growth of the Company's deposit and asset base. Management is currently in the process of evaluating the timing, nature and potential amount of additional capital to support continued growth. It is currently anticipated that additional capital will be raised during the third quarter of 1998. 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 three month periods under review is shown as follows (dollars in thousands):

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
Balance at beginning of period	\$5,116	\$3,636
Provision for possible loan losses	1,267	679
Loans charged-off		

Core banking loans	612	64
Premium finance	140	180
Indirect auto	112	21
	-----	-----
Total loans charged-off	864	265
	-----	-----
Recoveries		

Core banking loans	107	16
Premium finance	30	7
Indirect auto	9	-
	-----	-----
Total recoveries	146	23
	-----	-----
Net loans charged off	(718)	(242)
	-----	-----
Balance at March 31	\$5,665	\$4,073
	=====	=====
Loans at March 31	\$758,235	\$566,894
	=====	=====
Allowance as a percentage of loans	0.75%	0.72%
	=====	=====
Annualized net charge-offs as a percentage of :		
Loans	0.38%	0.17%
	=====	=====
Annualized provision for possible loan losses	56.70%	35.64%
	=====	=====

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 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.

Net charge-offs of core banking loans during the first quarter of 1998 were higher than has been historically recorded by the Company as a result of poor credit underwriting at one of the Company's banking facilities. Management has changed the management at that location and has implemented additional control procedures to avoid any similar breakdowns in credit quality. Maintaining high credit quality standards is of the utmost importance to the management of the Company and believes this situation is isolated in nature. Additionally, the level of non-performing loans as presented in the table on the following page have increased as a result of this situation and management believes that additional losses of up to \$500,000 at this facility are possible. However, management is actively involved in each of the credits at this facility and 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, FIFC seeks to obtain a refund of unearned premiums from the insurer. FIFC 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. FIFC 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).

	MARCH 31, 1998 ----	December 31, 1997 ----	March 31, 1997 ----
Past Due greater than 90 days and still accruing:			
Core banking loans	\$ 381	\$ 868	\$ 964
Indirect automobile loans	47	11	15
Premium finance loans	1,082	887	-
	-----	-----	-----
	1,510	1,766	979
	-----	-----	-----
Non-accrual loans:			
Core banking loans	4,225	782	196
Indirect automobile loans	19	29	28
Premium finance loans	2,039	1,629	753
	-----	-----	-----
	6,283	2,440	977
	-----	-----	-----
Total non-performing loans:			
Core banking loans	4,606	1,650	1,160
Indirect automobile loans	66	40	43
Premium finance loans	3,121	2,516	753
	-----	-----	-----
	7,793	4,206	1,956
	-----	-----	-----
Other real estate owned	-	-	-
	-----	-----	-----
Total non-performing assets	\$ 7,793	\$ 4,206	\$ 1,956
	=====	=====	=====
Total non-performing loans by category as a percent of its own respective category:			
Core banking loans	0.99%	0.37%	0.31%
Indirect automobile loans	0.04%	0.03%	0.04%
Premium finance loans	2.23%	1.96%	0.80%
	-----	-----	-----
Total loans	1.03%	0.59%	0.35%
	-----	-----	-----
Total non-performing assets as a percentage of total assets:	0.68%	0.40%	0.26%
Allowance for loan losses as a percentage of non-performing loans	72.69%	121.64%	208.23%

Non-performing Core Banking Loans:

Total non-performing loans for the Company's core banking business totaled \$5.4 million or 1.15% of the Company's core banking loans. One loan accounts for approximately \$2.4 million of this total and is a credit that is adequately secured but is more than 90 days past due and on non-accrual status. The borrower has a contract to sell the property whereby the proceeds from the sale would retire our loan balance and no loss is currently anticipated. Approximately \$1.0 million of the non-performing loan total relates to a loan that has been restructured by the Company and is current under the terms of the new arrangement; however, management believes that the credit exhibits higher than normal credit risk and has placed the loan on non-accrual status and specifically reserved \$300,000 as potential loss. The remaining \$2.0 million of non-performing loans is comprised of approximately 22 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

Another significant category of non-performing loans at March 31, 1998 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 FIFC. The insured makes a down payment of approximately 15% to 25% of the total premium and signs a premium finance agreement with FIFC for the balance due, which amount FIFC 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 FIFC by the insured. Under the terms of the Company's standard form of financing contract, the Company has the power to cancel the insurance policy if there is a default in the payment on the finance contract and to collect the unearned portion of the premium from the insurance carrier. In the event of cancellation of a policy, the cash returned in payment of the unearned premium by the insurer should 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 March 31, 1998 were approximately \$3.1 million or 2.23% of the outstanding premium finance loan balance. However, for the three months ended March 31, 1998, management has recorded net charge-offs of only \$110,000, or 0.32% 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 March 31, 1997 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 at percentage levels slightly higher than current past due levels.

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 March 31, 1998 and December 31, 1997 were approximately \$2.6 million and \$7.2 million, respectively.

LIQUIDITY MANAGEMENT

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

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.

QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK

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.

Derivative Financial Instruments:

One method utilized by financial institutions to limit market risk is to enter into derivative financial instruments. A derivative financial instrument includes interest rate swaps, interest rate caps and floors, futures, forwards, option contracts and other financial instruments with similar characteristics. The Company currently has not entered into any such derivative financial instruments but may enter into such instruments in the future to manage its market risk positions.

Commitments To Extend Credit And Standby Letters Of Credit:

In addition, the Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of condition. Commitments to extend credit are agreements to lend to a customer as long as there is no violation on any condition established in the contract. Commitments may require collateral from the borrower if deemed necessary by the Company and generally have a fixed expiration date. Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party up to a specified amount and with specific terms and conditions. Commitments to extend credit and standby letters of credit are not recorded as an asset or liability by the Company until the instrument is exercised.

Interest Rate Sensitivity Analysis:

The Company's exposure to market risk is reviewed on a regular basis by management and the boards of directors of the individual subsidiaries and the Company. The objective is to measure the effect on net income and to adjust balance sheet and off-balance sheet instruments to minimize the inherent risk while at the same time maximize income. Tools used by management include a standard gap report and an rate simulation model whereby changes in net income are measured in the event of various changes in interest rate indices. 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 March 31, 1998.

TIME TO MATURITY OR REPRICING

	0-90 DAYS ----	91-365 DAYS ----	1-5 YEARS -----	OVER 5 YEARS -----	TOTAL -----
(DOLLARS IN THOUSANDS)					
ASSETS:					
Loans.....	\$ 357,569	190,351	197,796	12,519	758,235
Securities.....	178,505	7,604	2,335	-	188,444
Interest-bearing bank deposits.....	60,739	10,532	-	-	71,271
Federal funds sold.....	36,701	-	-	-	36,701
Other.....	-	-	-	97,276	97,276
Total assets.....	\$ 633,514	208,487	200,131	109,795	1,151,927
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:					
NOW.....	\$ 76,728	-	-	-	76,728
Savings and money market.....	279,639	-	-	11,501	291,140
Time deposits.....	265,382	235,658	79,125	1,996	582,161
Short term borrowings.....	-	-	-	-	-
Notes payable.....	22,903	-	-	-	22,903
Demand deposits & other liab..	-	-	-	109,031	109,031
Shareholders' equity.....	-	-	-	69,964	69,964
Total liabilities and shareholders' equity.....	\$ 644,652	235,658	79,125	192,492	1,151,927
	=====	=====	=====	=====	=====
Rate sensitive assets (RSA).....	633,514	208,487	200,131	109,795	
Rate sensitive liabilities (RSL).....	644,652	235,658	79,125	180,991	
	-----	-----	-----	-----	
Cumulative gap (GAP = RSA - RSL).....	(11,138)	(38,309)	82,697	-	
	=====	=====	=====	=====	
RSA/RSL.....	0.98	0.88	2.53		
RSA/Total assets.....	0.55	0.18	0.17		
RSL/Total assets.....	0.56	0.20	0.07		
GAP/Total assets.....	(1)%	(3)%	7%		
GAP/RSA.....	(2)%	(5)%	8%		

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 its exposure to changes in interest rates using many different interest rates scenarios. One interest rate scenario utilized is to measure the percentage change in net income assuming an instantaneous permanent parallel shift in the yield curve of 200 basis points, both upward and downward. Utilizing this measurement concept, the interest rate risk of the Company, expressed as a percentage change in net income over a two-year time horizon due to changes in interest rates, at March 31, 1998, 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.....	3.3%	-9.2%
	-----	-----

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.

OTHER MATTERS

On April 20, 1998, the Company announced Mr. Howard D. Adams' plan to retire from the Company effective as of, or prior, to the Annual Meeting of Shareholders to be held on May 28, 1998. At a Special Meeting of the Board of Directors held May 8, 1998, the Board of Directors amended the by-laws of the Company to provide that the President will serve as the Company's chief executive officer, and there will no longer be an officer position of Chairman following Mr. Adams' retirement. Effective upon Mr. Adams' retirement date, John S. Lillard will become Chairman of the Board of Directors and Edward J. Wehmer, President of the Company will assume the additional responsibilities of Chief Executive Officer. The Company expects that second quarter results will be impacted by expenses related to succession planning and other issues associated with Mr. Adams' retirement.

The Company recently established a new subsidiary to expand the trust operations, currently operated out of Lake Forest Bank, into additional market areas currently being served by the Company. The Company recently expanded its staffing in the trust area from five to nine employees and expects to add approximately six to ten additional employees during the remainder of 1998. The new trust subsidiary, which is subject to regulatory approval, will begin to offer a full array of trust products at several of the subsidiary banking facilities. Company management believes that its subsidiary bank facilities are located in some of the best trust markets in the country and that our current market areas that will support trust services designed for the small-to-mid size trust accounts. Similar to starting a de novo bank, during the first two to three years of operation, the

introduction of expanded full service trust services is expected to result in relatively high overhead levels compared to fee income reflecting the necessary start-up investment primarily in human resources.

YEAR 2000 COMPLIANCE

A critical issue has emerged in the banking industry and generally for all industries that are heavily reliant upon computers regarding how existing software application programs and operating systems can accommodate the date value for the "Year 2000". The Year 2000 issue is the result of computer programs being written using two digits (rather than four) to define the applicable year. As such, certain programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. As a result, the year 1999 (i.e. '99') could be the maximum date value these systems will be able to accurately process. During 1997, management began the process of working with its outside data processor and other software vendors to assure that the Company is prepared for the year 2000. That process will continue throughout 1998. The financial impact to the Company has not been and is not anticipated to be material to its financial position or results of operations in any given year.

IMPACT OF NEW ACCOUNTING STANDARDS

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.

AICPA Accounting Standards Executive Committee Statement of Position 98-5:

On April 3, 1998, the AICPA Accounting Standards Executive Committee issued Statement of Position 98-5, "Reporting on the Costs of Start-up Activities" ("SOP 98-5"). SOP 98-5 requires that the unamortized portion of previously capitalized start-up costs be written-off as a cumulative effect of a change in accounting principle upon adoption of SOP 98-5. Subsequent to adoption of the statement, start-up and organization costs must be expensed as incurred. SOP 98-5 is effective for financial statements for fiscal years beginning after December 15, 1998. The Company will implement the statement in the first quarter of 1999 and the pre-tax impact will be less than \$225,000.

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:

- o 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, and expanded trust operations. 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.
- o 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.
- o 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.
- o 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.
- o 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.
- o the Company's ability to adapt successfully to technological changes to compete effectively in the marketplace
- o The economic environment may influence growth in loans and deposits.

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

- o Computation of Net Income Per Common Share - Exhibit 11
- o 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 March 31, 1998.

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: May 14, 1998

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

Date: May 14, 1998

*/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)

**THREE MONTHS ENDED
MARCH 31,**

		1998	1997
		-----	-----
Net income	(A)	\$1,042	\$ 729
		=====	=====
Average common shares outstanding		7,755	6,816
Average common share equivalents	(1)	331	477
		-----	-----
Weighted average common shares and common share equivalents	(B)	8,086	7,293
		=====	=====
Net income (loss) per average common share	(A/B)	\$ 0.13	\$ 0.11
		=====	=====
Net income (loss) per average common share	(A/B)	\$ 0.12	\$ 0.10
		=====	=====

(1) Common share equivalents result from stock options and stock warrants being treated as if they had been exercised and are computed by application of the treasury stock method.

ARTICLE 9

This schedule contains summary financial information extracted from the annual audited financial statements of Wintrust Financial Corporation for the quarter ended March 31, 1998, and is qualified in its entirety by reference to such financial statements.

CIK: 0001015328

NAME: WINTRUST FINANCIAL CORPORATION

MULTIPLIER: 1,000

PERIOD TYPE	3 MOS	3 MOS
FISCAL YEAR END	DEC 31 1998	DEC 31 1997
PERIOD START	JAN 01 1998	JAN 01 1997
PERIOD END	MAR 31 1998	MAR 31 1997
CASH	33,822	23,976
INT BEARING DEPOSITS	71,271	15,001
FED FUNDS SOLD	36,701	46,319
TRADING ASSETS	0	0
INVESTMENTS HELD FOR SALE	183,443	62,650
INVESTMENTS CARRYING	5,001	5,001
INVESTMENTS MARKET	4,975	4,881
LOANS	758,235	566,894
ALLOWANCE	5,665	4,073
TOTAL ASSETS	1,151,927	764,571
DEPOSITS	1,045,734	682,193
SHORT TERM	0	0
LIABILITIES OTHER	13,326	12,344
LONG TERM	22,903	6,503
PREFERRED MANDATORY	0	0
PREFERRED	0	0
COMMON	8,137	7,997
OTHER SE	61,827	55,534
TOTAL LIABILITIES AND EQUITY	1,151,927	764,571
INTEREST LOAN	16,368	11,230
INTEREST INVEST	3,532	1,848
INTEREST OTHER	0	0
INTEREST TOTAL	19,900	13,078
INTEREST DEPOSIT	11,514	7,481
INTEREST EXPENSE	11,896	7,826
INTEREST INCOME NET	8,004	5,252
LOAN LOSSES	1,267	679
SECURITIES GAINS	0	0
EXPENSE OTHER	7,932	6,354
INCOME PRETAX	488	(189)
INCOME PRE EXTRAORDINARY	1,042	729
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	1,042	729
EPS PRIMARY	0.13	0.11
EPS DILUTED	0.12	0.10
YIELD ACTUAL	3.27	3.22
LOANS NON	6,283	977
LOANS PAST	1,510	1,956
LOANS TROUBLED	0	0
LOANS PROBLEM	2,637	1,338
ALLOWANCE OPEN	5,116	3,636
CHARGE OFFS	(864)	(265)
RECOVERIES	146	23
ALLOWANCE CLOSE	5,665	4,073
ALLOWANCE DOMESTIC	4,203	2,505
ALLOWANCE FOREIGN	0	0
ALLOWANCE UNALLOCATED	1,462	1,568

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