

WINTRUST FINANCIAL CORP

FORM 10-Q (Quarterly Report)

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CIK	0001015328
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, 1999
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 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, 8,405,329 shares, as of November 11, 1999.

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PART I

ITEM 1 FINANCIAL STATEMENTS

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

	September 30, 1999	December 31, 1998	September 30, 1998
Assets			
Cash and due from banks-non-interest bearing	\$ 38,391	\$ 33,924	\$ 28,048
Federal funds sold	59,161	18,539	18,250
Interest-bearing deposits with banks	3,746	7,863	10,231
Available-for-Sale securities, at fair value	164,747	209,119	193,037
Held-to-Maturity securities, at amortized cost	-	5,000	5,000
Loans, net of unearned income	1,202,256	992,062	908,276
Less: Allowance for possible loan losses	8,200	7,034	6,500
Net loans	1,194,056	985,028	901,776
Premises and equipment, net	68,257	56,964	53,165
Accrued interest receivable and other assets	35,213	30,082	32,451
Goodwill and organizational costs	1,308	1,529	1,598
Total assets	\$ 1,564,879	\$1,348,048	\$1,243,556
Liabilities and Shareholders' Equity			
Deposits:			
Non-interest bearing	\$ 125,870	\$ 131,309	\$ 106,090
Interest bearing	1,262,572	1,097,845	1,017,666
Total deposits	1,388,442	1,229,154	1,123,756
Short-term borrowings	40,025	-	-
Notes payable	7,350	-	3,203
Long-term debt - trust preferred securities	31,050	31,050	27,500
Accrued interest payable and other liabilities	17,158	12,639	15,942
Total liabilities	1,484,025	1,272,843	1,170,401
Shareholders' equity:			
Preferred stock	-	-	-
Common stock	8,174	8,150	8,150
Surplus	73,165	72,878	72,878
Common stock warrants	100	100	100
Retained earnings (deficit)	749	(5,872)	(7,958)
Accumulated other comprehensive loss	(1,334)	(51)	(15)
Total shareholders' equity	80,854	75,205	73,155
Total liabilities and shareholders' equity	\$ 1,564,879	\$ 1,348,048	\$ 1,243,556

See accompanying notes to unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Interest income				
Interest and fees on loans	\$24,990	\$20,045	\$ 69,993	\$ 54,645
Interest bearing deposits with banks	44	378	165	2,159
Federal funds sold	504	542	1,074	1,801
Securities	2,546	1,976	7,244	5,683
Total interest income	28,084	22,941	78,476	64,288
Interest expense				
Interest on deposits	14,401	12,562	40,167	36,166
Interest on short-term borrowings and notes payable	727	506	1,470	1,335
Interest on long-term debt - trust preferred securities	734	-	2,203	-
Total interest expense	15,862	13,068	43,840	37,501
NET INTEREST INCOME	12,222	9,873	34,636	26,787
Provision for possible loan losses	990	971	2,707	3,311
Net interest income after provision for possible loan losses	11,232	8,902	31,929	23,476
Non-interest income				
Fees on mortgage loans sold	533	1,323	2,750	3,902
Service charges on deposit accounts	399	293	1,080	747
Trust fees	295	210	770	578
Gain on sale of premium finance receivables	377	-	640	-
Net securities gains	15	-	15	-
Other	398	183	1,188	454
Total non-interest income	2,017	2,009	6,443	5,681
Non-interest expense				
Salaries and employee benefits	4,984	4,565	15,256	14,353
Occupancy, net	743	589	2,088	1,765
Equipment expense	796	550	2,126	1,576
Data processing	551	440	1,544	1,234
Advertising and marketing	309	358	1,041	1,114
Professional fees	242	455	828	1,203
Other	1,805	1,682	5,611	4,793
Total non-interest expense	9,430	8,639	28,494	26,038
Income before income taxes	3,819	2,272	9,878	3,119
Income tax expense (benefit)	1,292	118	3,257	(1,040)
NET INCOME	\$ 2,527	\$ 2,154	\$ 6,621	\$ 4,159
NET INCOME PER COMMON SHARE - BASIC	\$ 0.31	\$ 0.26	\$ 0.81	\$ 0.51
NET INCOME PER COMMON SHARE - DILUTED	\$ 0.30	\$ 0.25	\$ 0.78	\$ 0.49
Weighted average common shares outstanding	8,173	8,150	8,166	8,141
Dilutive potential common shares	310	384	322	358
Average common shares and dilutive common shares	8,483	8,534	8,488	8,499

See accompanying notes to unaudited consolidated financial statements.

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

	Compre- hensive income	Common stock	Surplus	Common stock warrants	Retained earnings (deficit)	Accumulated other compre- hensive income(loss)	Total shareholders' equity
Balance at December 31, 1997		\$ 8,118	\$ 72,646	\$ 100	\$ (12,117)	\$ 43	\$ 68,790
Comprehensive Income:							
Net income	\$ 4,159	-	-	-	4,159	-	4,159
Other Comprehensive Income (Loss), net of tax:							
Unrealized losses on securities, net of reclassification adjustment	(58)	-	-	-	-	(58)	(58)
Comprehensive Income	\$ 4,101						
Common stock issued upon exercise of stock options		32	232	-	-	-	264
Balance at September 30, 1998		\$ 8,150	\$ 72,878	\$ 100	\$ (7,958)	\$ (15)	\$ 73,155
Balance at December 31, 1998		\$ 8,150	\$ 72,878	\$ 100	\$ (5,872)	\$ (51)	\$ 75,205
Comprehensive Income:							
Net income	\$ 6,621	-	-	-	6,621	-	6,621
Other Comprehensive Income (Loss), net of tax:							
Unrealized losses on securities, net of reclassification adjustment	(1,283)	-	-	-	-	(1,283)	(1,283)
Comprehensive Income	\$ 5,338						
Common stock issued upon exercise of stock options		19	221	-	-	-	240
Common stock issued through employee stock purchase plan		5	66	-	-	-	71
Balance at September 30, 1999		\$ 8,174	\$ 73,165	\$ 100	\$ 749	\$ (1,334)	\$ 80,854

Nine Months Ended September 30,
1999 1998

Disclosure of reclassification amount:		
Unrealized holding losses arising during the period	\$ (2,021)	\$ (82)
Less: Reclassification adjustment for gains included in net income	15	-
Less: Income tax benefit	(753)	(24)
Net unrealized losses on securities	\$ (1,283)	\$ (58)

See accompanying notes to unaudited consolidated financial statements.

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

	Nine Months Ended September 30,	
	1999	1998
OPERATING ACTIVITIES:		
Net income	\$ 6,621	\$ 4,159
Adjustments to reconcile net income to net cash used for, or provided by, operating activities:		
Provision for possible loan losses	2,707	3,311
Depreciation and amortization	2,832	2,118
Deferred income tax benefit	(1,822)	(1,040)
Net accretion/amortization of securities	(637)	(230)
Originations of mortgage loans held for sale	(202,216)	(255,257)
Proceeds from sales of mortgage loans held for sale	212,394	249,212
Gain on sale of premium finance receivables	(640)	-
Gain on sale of Available-for-Sale securities	(15)	-
Increase in other assets, net	(2,650)	(16,603)
Increase in other liabilities, net	4,519	4,928
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	21,093	(9,402)
INVESTING ACTIVITIES:		
Proceeds from maturities of Available-for-Sale securities	345,726	371,922
Proceeds from maturities of Held-to-Maturity securities	5,000	-
Proceeds from sale of Available-for-Sale securities	8,078	-
Purchases of Available-for-Sale securities	(310,814)	(462,794)
Proceeds from sale of premium finance receivables	39,873	-
Net decrease in interest-bearing deposits with banks	4,117	74,869
Net increase in loans	(261,145)	(191,527)
Purchases of premises and equipment, net	(13,813)	(10,891)
NET CASH USED FOR INVESTING ACTIVITIES	(182,978)	(218,421)
Financing Activities:		
Increase in deposit accounts	159,288	206,055
Increase (decrease) in short-term borrowings, net	40,025	(35,493)
Proceeds from notes payable	7,350	7,501
Repayment of notes payable	-	(24,700)
Proceeds from long-term debt - trust preferred securities	-	27,500
Common stock issued upon exercise of stock options	240	264
Common stock issued through employee stock purchase plan	71	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	206,974	181,127
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	45,089	(46,696)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	52,463	92,994
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$97,552	\$ 46,298

See accompanying notes to unaudited consolidated financial statements.

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

(1) Basis of Presentation

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

Wintrust is a financial services holding company currently engaged in the business of providing community banking services through its banking subsidiaries to customers in the Chicago metropolitan area and financing for the payment of commercial insurance premiums ("premium finance receivables"), on a national basis, through its subsidiary, First Insurance Funding Corporation ("FIFC"). As of September 30, 1999, Wintrust had six wholly-owned bank subsidiaries (collectively, "Banks"), all of which started as de novo institutions, including Lake Forest Bank & Trust Company ("Lake Forest Bank"), Hinsdale Bank & Trust Company ("Hinsdale Bank"), North Shore Community Bank & Trust Company ("North Shore Bank"), Libertyville Bank & Trust Company ("Libertyville Bank"), Barrington Bank & Trust Company, N.A. ("Barrington Bank") and Crystal Lake Bank & Trust Company, N.A. ("Crystal Lake Bank"). FIFC is a wholly-owned subsidiary of Crabtree Capital Corporation ("Crabtree") which is a wholly-owned subsidiary of Lake Forest Bank. On September 30, 1998, Wintrust began operating a wholly-owned trust and investment subsidiary, Wintrust Asset Management Company, N.A. ("WAMC"), which currently provides trust and investment services at four of the Wintrust banks. Previously, the Company provided trust services through the trust department of Lake Forest Bank. On October 26, 1999 (effective October 1, 1999), Hinsdale Bank acquired Tricom, Inc. of Milwaukee ("Tricom"), a national financial and administrative service bureau to the staffing industry.

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, 1998. Operating results for the three and nine-month periods presented are not necessarily indicative of the results which may be expected for the entire year. Reclassifications of certain prior period amounts have been made to conform with the current period presentation.

(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

The following table shows the computation of basic and diluted earnings per share (in thousands, except per share data):

		For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
		1999	1998	1999	1998
Net income	(A)	\$ 2,527	\$ 2,154	\$ 6,621	\$ 4,159
Average common shares outstanding	(B)	8,173	8,150	8,166	8,141
Effect of dilutive common shares		310	384	322	358
Weighted average common shares and effect of dilutive common shares	(C) (C)	8,483	8,534	8,488	8,499
Net income per average common share - Basic	(A/B)	\$ 0.31	\$ 0.26	\$ 0.81	\$ 0.51
Net income per average common share - Diluted	(A/C)	\$ 0.30	\$ 0.25	\$ 0.78	\$ 0.49

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

(4) Long-term Debt - Trust Preferred Securities

In October 1998, the Company completed its offering of \$31.05 million of 9.00% Cumulative Trust Preferred Securities. For purposes of generally accepted accounting principles, these securities are considered to be debt securities and not a component of shareholders' equity. The Trust Preferred Securities offering has increased Wintrust's regulatory capital under Federal Reserve guidelines. Interest expense on the Trust Preferred Securities is also deductible for income tax purposes. For further information on the Trust Preferred Securities, please refer to Note 10 of the Company's Consolidated Financial Statements included in the Annual Report and Form 10-K for the year ended December 31, 1998.

(5) Segment Information

The segment financial information provided in the following tables has been derived from the internal profitability reporting system used by management and the chief decision makers to monitor and manage the financial performance of the Company. The Company evaluates segment performance based on after-tax profit or loss and other appropriate profitability measures common to each segment. Certain indirect expenses have been allocated based on actual volume measurements and other criteria, as appropriate. Inter-segment revenue and transfers are generally accounted for at current market prices. The other category, as shown in the following table, reflects parent company information.

The net interest income and segment profit of the banking segment includes income and related interest costs from portfolio loans that were purchased from the premium finance and indirect auto segments. For purposes of internal segment profitability analysis, management reviews the results of its premium finance and indirect auto segments as if all loans originated and sold to the banking segment were retained within that segment's operations; thereby causing the inter-segment elimination amounts shown in the following table. The following table is a summary of certain operating information for reportable segments for the three and nine-month periods ended September 30, 1999 and 1998 (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	1999	1998	1999	1998
NET INTEREST INCOME:				
Banking	\$ 11,552	\$ 9,085	\$ 32,573	\$ 24,793
Premium Finance	3,117	2,661	9,417	7,083
Indirect Auto	2,096	1,444	5,993	3,836
Trust	106	88	338	221
Inter-segment eliminations	(3,829)	(2,917)	(11,363)	(7,894)
Other	(820)	(488)	(2,322)	(1,252)
	=====	=====	=====	=====
Total	\$ 12,222	\$ 9,873	\$ 34,636	\$ 26,787
	=====	=====	=====	=====
NON-INTEREST INCOME:				
Banking	\$ 1,512	\$ 1,917	\$ 5,413	\$ 5,388
Premium Finance	377	-	640	-
Indirect Auto	1	-	1	2
Trust	295	210	770	578
Inter-segment eliminations	(168)	(118)	(381)	(287)
	=====	=====	=====	=====
Total	\$ 2,017	\$ 2,009	\$ 6,443	\$ 5,681
	=====	=====	=====	=====
SEGMENT PROFIT (LOSS):				
Banking	\$ 2,712	\$ 1,759	\$ 7,600	\$ 3,486
Premium Finance	1,206	589	3,240	1,376
Indirect Auto	775	477	2,184	1,216
Trust	(134)	(43)	(546)	81
Inter-segment eliminations	(1,294)	(140)	(3,705)	(156)
Other	(738)	(488)	(2,152)	(1,844)
	=====	=====	=====	=====
Total	\$ 2,527	\$ 2,154	\$ 6,621	\$ 4,159
	=====	=====	=====	=====
SEGMENT ASSETS:				
Banking	\$1,597,087	\$1,265,693		
Premium Finance	277,022	225,261		
Indirect Auto	268,063	196,676		
Trust	2,354	3,460		
Inter-segment eliminations	(583,550)	(453,455)		
Other	3,903	5,921		
	=====	=====		
Total	\$1,564,879	\$1,243,556		
	=====	=====		

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition as of September 30, 1999, compared with December 31, 1998, and September 30, 1998, and the results of operations for the three and nine-month periods ended September 30, 1999 and 1998 should be read in conjunction with the Company's unaudited consolidated financial statements and notes contained in this report. This discussion contains forward-looking statements that involve risks and uncertainties and, as such, future results could differ significantly from management's current expectations. See the last section of this discussion for further information on forward-looking statements.

OVERVIEW AND STRATEGY

The Company's operating subsidiaries were organized within the last eight years, with an average life of its six subsidiary banks of approximately four years. Wintrust has grown rapidly during the past few years and its Banks have been among the fastest growing community-oriented de novo banking operations in Illinois and the country. Because of the rapid growth, the historical performance of the Banks and FIFC has been affected by costs associated with growing market share, establishing new de novo banks, opening new branch facilities, and building an experienced management team. The Company's financial performance over the past several years generally reflects improving profitability of the Banks, as they mature, offset by the significant costs of opening new banks and branch facilities. The Company's experience has been that it generally takes 13-24 months for new banking offices to first achieve operational profitability. Similarly, management currently expects a start-up phase for WAMC of a few years before its operations become profitable.

Lake Forest Bank, Hinsdale Bank, North Shore Bank, Libertyville Bank, Barrington Bank and Crystal Lake Bank began operations in December 1991, October 1993, September 1994, October 1995, December 1996 and December 1997, respectively. Subsequent to those initial dates of operations, each of the Banks, except Barrington Bank, have established additional full-service banking facilities. FIFC began operations in 1990 and is primarily engaged in the business of financing insurance premiums written through independent insurance agents or brokers on a national basis for commercial customers. On September 30, 1998, WAMC began operations and offers a full range of trust and investment services at many of the Wintrust banks.

Crystal Lake Bank, since moving into its permanent location in downtown Crystal Lake in September 1998, opened a new drive-thru facility in March 1999 and a new full-service branch facility in south Crystal Lake in September 1999. In April and May 1998, North Shore Bank opened new branch facilities in Wilmette and Glencoe, Illinois, respectively, and in October 1999, opened a new full-service branch facility in Skokie, Illinois. In October 1998, the Libertyville Bank opened a new branch facility that is located in south Libertyville, which is near Vernon Hills, Illinois. In December 1998, the Lake Forest Bank opened a new branch in the newly constructed, upscale senior housing development known as Lake Forest Place. Also in late 1998, Hinsdale Bank's Western Springs operation moved into its new, permanent full-service facility. Expenses related to these new banking operations and the start-up of WAMC predominantly impact only the 1999 operating results presented in this discussion and analysis.

While committed to a continuing growth strategy, management's current focus is to balance further asset growth with earnings growth by seeking to more fully leverage the existing capacity within each of the Banks, FIFC and WAMC. One aspect of this strategy is to continue to pursue specialized earning asset niches, and to shift the mix of earning assets to higher-yielding loans. Another aspect of this strategy is a continued focus on less aggressive deposit pricing at the Banks with significant market share and more established customer bases.

FIFC has been the Company's most significant specialized earning asset niche and is expected to reach \$650 million in premium finance receivable volume during 1999. These receivables have been retained within the Banks' loan portfolios as part of the strategy noted above. During the second quarter of 1999, as a result of the continued solid volume growth, FIFC began to sell a portion of new receivables to an unrelated third party. In addition to recognizing gains on the sale of these receivables, the proceeds provided the Company with additional liquidity. It is possible that similar future sales may occur depending on the level of new volume growth in relation to the desired capacity within the Banks' loan portfolios.

The October 1999 acquisition of Tricom is another significant step in the Company's strategy to pursue specialized earning asset niches. Tricom is a ten year old Milwaukee-based company that specializes in providing, on a national basis, short-term accounts receivable financing and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to clients in the temporary staffing industry. On an annual basis, Tricom currently finances and processes payrolls with associated billings in excess of \$200 million and generates approximately \$7 million in revenues. By virtue of the Company's funding resources, this acquisition will provide Tricom with additional capital necessary to expand its financing services in a national market. Tricom's revenue principally consists of interest income from financing activities and fee-based revenues from administrative services. In addition to expanding the Company's earning asset niches, this acquisition will add to the level of fee-based income and augment its community-based banking revenues.

Other newer specialized earning asset niches include Lake Forest Bank's medical and municipal equipment leasing division, a previously established small business that was acquired in July 1998, and Barrington Bank's newly established program that provides lending and deposit services to condominium, homeowner and community associations. The Company plans to continue pursuing the development or acquisition of other specialty finance businesses that generate assets suitable for bank investment and/or secondary market sales.

With the formation of WAMC, the Company intends to expand the trust and investment management services that have already been provided during the past several years through the trust department of the Lake Forest Bank. With a separately chartered trust subsidiary, the Company is now better able to offer trust and investment management services to all communities served by Wintrust banks, which management believes are some of the best trust markets in Illinois. In addition to offering these services to existing bank customers at each of the Banks, the Company believes WAMC can successfully compete for trust business by targeting small to mid-size businesses and newly affluent individuals whose needs command the personalized attention that will be offered by WAMC's experienced trust professionals. During the fourth quarter of 1998, WAMC added experienced trust professionals at North Shore Bank, Hinsdale Bank and Barrington Bank. As in the past, a full complement of trust professionals continue to operate from offices at the Lake Forest Bank. Prospective trust and investment customers at Libertyville Bank and Crystal Lake Bank are currently being served on an appointment basis, as the need arises. Services offered by WAMC typically will include traditional trust products and services, as well as investment management, financial planning and 401(k) management services.

Similar to starting a de novo bank, the introduction of expanded trust services is expected to cause relatively high overhead levels when compared to initial fee income generated by WAMC. The overhead will consist primarily of the salaries and benefits of experienced trust professionals. Management anticipates that WAMC will be successful in attracting trust business over the next few years, to a level that trust fees absorb the overhead of WAMC at that time.

RESULTS OF OPERATIONS

EARNINGS SUMMARY

Net income for the quarter ended September 30, 1999 totaled \$2.5 million, an increase of \$373,000, or 17%, over the third quarter of 1998. On a per share basis, net income for the third quarter of 1999 totaled \$0.30 per diluted common share, a \$0.05 per share, or 20%, increase over the third quarter of 1998. The return on average equity for the third quarter of 1999 increased to 12.46% from 11.80% for the same prior year quarter.

For the nine months ended September 30, 1999, net income totaled \$6.6 million, or \$0.78 per diluted common share, an increase of \$2.5 million, or 59%, and \$0.29 per diluted share, when compared to the same period in 1998. Excluding the impact of the prior year non-recurring \$1.0 million pre-tax charge related to severance amounts due to the former Chairman and Chief Executive Officer and certain related legal fees, net income for the nine-month period increased \$1.8 million, or 39%, and \$0.22 per diluted common share, when compared to the same period in 1998. The return on average equity for the nine months ended September 30, 1999 rose to 11.29% versus 8.99% in the same period of 1998, exclusive of the non-recurring charge.

A significant factor that contributed to the prior year net income was the recognition of income tax benefits from the realization of previously unvalued tax loss benefits. Due to the prior year recognition of tax benefits, the Company's true growth in profitability over the past year has been masked. Therefore, a comparison of pre-tax operating income is more representative of the Company's improvement in operating results. On a pre-tax basis, operating income totaled \$3.8 million for the third quarter of 1999, an increase of \$1.5 million, or 68%, over the prior year quarter. For the first nine months of 1999, operating income totaled \$9.9 million and increased \$5.8 million, or 140%, over the prior year period, exclusive of the previously mentioned prior year non-recurring charge. This significant improvement in operating results has primarily been the result of enhanced performance of the Company's more established subsidiaries. For further information regarding the recognition of income tax benefits, please refer to the Income Taxes section of this discussion and analysis.

NET INTEREST INCOME

The following tables present a summary of the Company's net interest income and related net interest margins, calculated on a fully taxable equivalent basis, for the quarterly and nine-month periods ended September 30, 1999 and 1998:

(dollars in thousands)	For the Quarter Ended September 30, 1999			For the Quarter Ended September 30, 1998		
	Average	Interest	Rate	Average	Interest	Rate
Liquidity management assets (1) (2)	\$ 231,273	\$ 3,096	5.31%	\$ 204,915	\$ 2,896	5.61%
Loans, net of unearned income (2)	1,173,278	25,065	8.48	883,515	20,068	9.01
Total earning assets	1,404,551	28,161	7.95%	1,088,430	22,964	8.37%
Interest-bearing deposits	1,225,090	14,401	4.66%	969,591	12,562	5.14%
Short-term borrowings and notes payable	59,315	727	4.86	30,447	506	6.59
Long-term debt - trust preferred securities	31,050	734	9.46	-	-	-
Total interest-bearing liabilities	1,315,455	15,862	4.78%	1,000,038	13,068	5.18%
Tax-equivalent net interest income		\$ 12,299			\$ 9,896	
Net interest margin		=====	3.47%		=====	3.61%
Core net interest margin (3)			3.59%			3.61%
			=====			=====

(dollars in thousands)	For the Nine Months Ended September 30, 1999			For the Nine Months Ended September 30, 1998		
	Average	Interest	Rate	Average	Interest	Rate
Liquidity management assets (1) (2)	\$ 216,047	\$ 8,490	5.25%	\$ 228,340	\$ 9,643	5.65%
Loans, net of unearned income (2)	1,103,881	70,154	8.50	808,009	54,711	9.05
Total earning assets	1,319,928	78,644	7.97%	1,036,349	64,354	8.30%
Interest-bearing deposits	1,157,076	40,167	4.64%	924,048	36,166	5.23%
Short-term borrowings and notes payable	44,439	1,470	4.42	26,559	1,335	6.72
Long-term debt - trust preferred securities	31,050	2,203	9.46	-	-	-
Total interest-bearing liabilities	1,232,565	43,840	4.76%	950,607	37,501	5.27%
Tax-equivalent net interest income		\$ 34,804			\$ 26,853	
Net interest margin		=====	3.53%		=====	3.46%
Core net interest margin (3)			3.64%			3.46%
			=====			=====

- (1) Liquidity management assets include securities, interest earning deposits with banks and federal funds sold.
- (2) Interest income on tax-advantaged loans and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 34%. This total adjustment for the quarters ended September 30, 1999 and 1998 was \$77,000 and \$23,000, respectively, and for the nine-month periods ended September 30, 1999 and 1998 was \$168,000 and \$66,000, respectively.
- (3) The core net interest margin excludes the net impact of the Company's 9.00% Cumulative Trust Preferred Securities offering and certain discretionary investment leveraging transactions.

Net interest income is defined as the difference between interest income and fees on earning assets and interest expense on deposits, borrowings and long-term debt. The related net interest margin represents the net interest income on a tax-equivalent basis as a percentage of average earning assets during the period.

Tax-equivalent net interest income for the quarter ended September 30, 1999 totaled \$12.3 million, an increase of \$2.4 million, or 24%, as compared to the \$9.9 million recorded in the same quarter of 1998. This increase was mainly the result of loan growth coupled with a decline in deposit funding cost rates. Tax-equivalent interest and fees on loans for the quarter ended September 30, 1999 totaled \$25.1 million, an increase of \$5.0 million, or 25%, over the prior year quarterly total of \$20.1 million. This growth was predominantly due to a \$290 million, or 33%, increase in average total loans.

For the third quarter of 1999, the net interest margin was 3.47%, a decline of 14 basis points when compared to the margin of 3.61% in the prior year quarter. This decline was due mainly to the net impact of the 9.00% Cumulative Trust Preferred Securities offering and certain discretionary investment leveraging transactions. The core net interest margin, which excludes the impact of these items, was 3.59% for the third quarter of 1999, and declined only 2 basis points when compared to the prior year quarterly margin of 3.61%.

The rate paid on interest-bearing deposits averaged 4.66% for the third quarter of 1999 versus 5.14% for the same quarter in 1998, a decline of 48 basis points. This decline was caused by a general decline in market rates coupled with management's decision to be less aggressive on its deposit pricing at the more mature banks. The rate paid on short-term borrowings and notes payable declined to 4.86% in the third quarter of 1999 as compared to 6.59% in the same quarter of 1998. A change in composition of this category coupled with a general decline in market rates were the primary factors causing this 173 basis point decline. In 1998, most of the average balance was comprised of notes payable under a line of credit agreement with an unaffiliated bank at an interest rate indexed at 125 basis points over the LIBOR rate. In 1999, the average balance was comprised of mainly short-term repurchase agreements, which generally have lower rates when compared to the terms of the line of credit agreement.

The yield on total earning assets for the third quarter of 1999 was 7.95% as compared to 8.37% in 1998, a decline of 42 basis points due to lower yields on both loans and liquidity management assets, offset somewhat by a higher proportion of average loans to average earning assets. The third quarter 1999 loan yield of 8.48% declined 53 basis points when compared to the prior year quarterly yield of 9.01% and was due primarily to a higher prime lending rate of 8.50% during the entire third quarter of 1998 versus an average prime lending rate of 8.10% for the third quarter of 1999.

For the nine months ended September 30, 1999, tax-equivalent net interest income totaled \$34.8 million and increased \$8.0 million, or 30%, over the \$26.9 million recorded in the same period of 1998. This increase was primarily due to a combination of loan growth and lower funding cost rates. Interest and fees on loans, on a tax-equivalent basis, totaled \$70.2 million for the nine-month period ended September 30, 1999 and increased \$15.4 million, or 28%, over the same period of 1998. Average loans for the nine-month period of 1999 totaled \$1.10 billion and grew \$296 million, or 37%, over the average for the same period of 1998. The net interest margin for the nine months ended September 30, 1999 was 3.53%, an increase of 7 basis points when compared to the same period in 1998. The core net interest margin for the nine-month period of 1999 was 3.64% and increased 18 basis points over the same margin in the prior year period. These margin increases were directly the result of a decline in funding cost rates and loan growth. The total deposit funding cost rate declined 59 basis points since the prior year nine-month period and was 4.64% for nine-month period of 1999. The growth

in loans caused a higher proportion of average loans to average total earning assets, and increased from 78% in the 1998 period to 84% in the 1999 period. This improved loan proportion creates a higher net interest margin, as loans earn interest at a higher rate than other earning assets. The year-to-date loan yield declined 55 basis points to 8.50%, which was due to a lower average prime lending rate of 7.87% in the year-to-date 1999 period versus and average prime lending rate of 8.50% in the 1998 year-to-date period.

In early October 1998, the Company completed its 9.00% Cumulative Trust Preferred Securities offering totaling \$31.05 million, which is reflected as long-term debt in the above tables. The effective rate of 9.46% is higher than the 9.00% coupon rate of the securities as it reflects the amortization of offering costs, including underwriting fees, legal and professional fees, and other related costs. These securities are considered capital for regulatory purposes and the interest is deductible for tax purposes. The proceeds from this offering have provided for, and will continue to provide for, the Company's growth and expansion.

The following table presents a reconciliation of the Company's tax-equivalent net interest income, calculated on a tax equivalent basis, for the three and nine-month periods between September 30, 1998 and September 30, 1999. The reconciliation sets forth the change in the tax-equivalent 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):

	Three Month Period	Nine Month Period
Tax-equivalent net interest income for the period ended September 30, 1998	\$ 9,896	\$ 26,853
Change due to average earning assets fluctuations (volume).....	2,876	7,339
Change due to interest rate fluctuations (rate).....	(384)	543
Change due to rate/volume fluctuations (mix).....	(89)	69
Tax-equivalent net interest income for the period ended September 30, 1999	\$ 12,299	\$ 34,804

NON-INTEREST INCOME

For the nine months ended September 30, 1999, non-interest income totaled \$6.4 million and increased \$762,000, or 13%, when compared to the same period in 1998. This increase was mainly the result of gains from the sale of premium finance receivables, increased trust fees, higher levels of deposit service charges, premium income from certain call option transactions and rental income from leased equipment. Partially offsetting these increases was a decline in fees from the sale of mortgage loans, as further explained below. The following table presents non-interest income by category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Fees on mortgage loans sold	\$ 533	\$ 1,323	\$ 2,750	\$ 3,902
Service charges on deposit accounts	399	293	1,080	747
Trust fees	295	210	770	578
Gain on sale of premium finance receivables	377	-	640	-
Net securities gains	15	-	15	-
Other income	398	183	1,188	454
Total non-interest income	\$ 2,017	\$ 2,009	\$ 6,443	\$ 5,681

Fees on mortgage loans sold includes income from originating and selling residential real estate loans into the secondary market, the majority of which are sold without retaining servicing rights. For the quarter ended September 30, 1999, these fees totaled \$533,000 and declined \$790,000 from the 1998 quarterly total of \$1.3 million. For the nine months ended September 30, 1999, fees on mortgage loans sold totaled \$2.8 million and declined \$1.2 million, or 30%, when compared to the same period in 1998. These declines were due to lower mortgage volumes and related refinancing activity caused by the recent increases in mortgage interest rates. Accordingly, future fee income on mortgage loans sold is not expected to be at the levels that were experienced in the last quarter of 1998.

During the third quarter of 1999, approximately \$20 million of premium finance receivables were sold to an unrelated third party and resulted in the recognition of a \$377,000 gain. On a year-to-date basis, a total of \$640,000 in gains were recognized from the sale of approximately \$40 million of premium finance receivables. It is possible that similar future sales of premium finance receivables may occur depending on the level of new volume growth in relation to the desired capacity within the Banks' loan portfolios.

Service charges on deposit accounts totaled \$399,000 for the third quarter of 1999, an increase of \$106,000, or 36%, when compared to the same quarter of 1998. For the first nine months of 1999, deposit service charges totaled \$1.1 million and increased \$333,000, or 45%, when compared to the same period of 1998. These increases were due to a higher deposit base and a larger number of accounts at both the more mature banks and the newer de novo banks. The majority of deposit service charges relate to customary fees on overdrawn accounts and returned items. The level of service charges received is substantially below peer group levels as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

Trust fees totaled \$295,000 for the third quarter of 1999, an \$85,000, or 40%, increase over the same quarter of 1998. For the nine months ended September 30, 1999, trust fees totaled \$770,000 and increased \$192,000, or 33%, over the same period of 1998. These increases were mainly the result of new business development efforts generated from a larger staff of experienced trust officers. The Company is committed to growing the trust and investment business in order to better service its customers and create a more diversified revenue stream. However, as the introduction of expanded trust and investment services continues to unfold, it is expected that overhead levels will be high when compared to the initial fee income that is generated. It is anticipated that trust fees will eventually increase to a level sufficient to absorb this overhead within a few years. For further discussion of the start-up of WAMC and the expansion of trust and investment services, please refer to the previous Overview and Strategy section.

During 1999, the Company recognized premium income from certain call option transactions totaling \$13,000 and \$249,000 for the three and nine-month periods ended September 30, 1999, respectively. These transactions were designed to utilize excess capital at certain banks, increase the total return associated with holding certain securities as earning assets, and yield additional fee income. This income is included in the category of other non-interest income in the Consolidated Statements of Income, and was a significant factor for the year-to-date increase in this category when compared to the prior year period. Other non-interest income for the three and nine-month periods ended September 30, 1999 also included \$105,000 and \$212,000, respectively, of rental income from equipment leased through the Medical and Municipal Funding division of the Lake Forest Bank.

NON-INTEREST EXPENSE

Non-interest expense for the third quarter of 1999 totaled \$9.4 million and increased \$791,000, or 9%, from the third quarter 1998 total of \$8.6 million. For the nine months ended September 30, 1999, non-interest expense totaled \$28.5 million and increased \$3.5 million, or 14%, when compared to the prior year period, excluding the previously mentioned second quarter 1998 non-recurring \$1.0 million charge. The continued growth and expansion of the de novo banks and the development of the new trust and investment subsidiary were the primary causes for this increase. Since September 30, 1998, total deposits have grown 24% and total loan balances have risen 32%, requiring higher levels of staffing and other costs to both attract and service the larger customer base. The following table presents non-interest expense by category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Salaries and employee benefits	\$ 4,984	\$ 4,565	\$ 15,256	\$ 14,353
Occupancy, net	743	589	2,088	1,765
Equipment expense	796	550	2,126	1,576
Data processing	551	440	1,544	1,234
Advertising and marketing	309	358	1,041	1,114
Professional fees	242	455	828	1,203
Other	1,805	1,682	5,611	4,793
	=====	=====	=====	=====
Total non-interest expense	\$ 9,430	\$ 8,639	\$ 28,494	\$ 26,038
	=====	=====	=====	=====

Salaries and employee benefits expense for the third quarter of 1999 totaled \$5.0 million, an increase of \$419,000, or 9%, from same quarter of 1998. For the first nine months of 1999, salaries and employee benefits totaled \$15.3 million and increased \$903,000, or 6%, when compared to the 1998 period. Approximately \$900,000 of the \$1.0 million non-recurring charge recorded in 1998 related to a severance accrual and, excluding this charge, the year-to-date increase over the 1998 period was \$1.8 million, or 13%. These increases were primarily due to growth in the Company and the hiring of experienced trust professionals for the new WAMC subsidiary. As a percent of average total assets, on an annualized basis, salaries and employee benefits were 1.41% for the first nine months of 1999, an improvement from 1.59% in the same period of 1998, excluding the non-recurring charge.

For the third quarter of 1999, occupancy costs, equipment expense and data processing increased \$154,000 (26%), \$246,000 (45%) and \$111,000 (25%), respectively, over the third quarter 1998 totals. For the first nine months of 1999, the respective increases were \$323,000 (18%), \$550,000 (35%) and \$310,000 (25%). These increases were due mainly to the opening of new facilities, as discussed in the Overview and Strategy section, and the general growth of the Company's customer base.

Other non-interest expense for the nine months ended September 30, 1999 totaled \$5.6 million and increased \$818,000, or 17%, due mainly to the opening of several new banking facilities combined with the general growth of the Company and its customer base, including the related higher levels of loan and deposit activities. This category of expense includes the amortization of organizational costs and intangible assets, loan expenses, correspondent bank service charges, postage, insurance, stationary and supplies and other sundry expenses. This category's year-to-date 1999 total included approximately \$200,000 of previously unamortized deferred organizational costs, which were expensed in the first quarter of 1999 in connection with the required adoption

of Statement of Position 98-5, "Reporting on the Costs of Start-up Activities". This new accounting principle, which became effective as of January 1, 1999, required companies to write-off previously capitalized start-up costs and expense future start-up costs as incurred. In the first nine months of 1998, approximately \$101,000 was expensed for the normal amortization of deferred organizational costs.

Despite the Company's growth and the related increases in many of the non-interest expense categories, the ratio of non-interest expense to total average assets declined from 2.95% for the nine-month period ended September 30, 1998, exclusive of the previously mentioned non-recurring charge, to 2.63% for the 1999 period, and is favorable to the Company's most recent peer group ratio. In addition, the net overhead ratio for the first nine months of 1999 declined to 2.03% as compared to the 1998 year-to-date ratio of 2.28%, excluding the non-recurring charge. For the third quarter of 1999, this ratio improved to 1.91%, which is within management's previously stated performance goal range of 1.50% - 2.00%.

INCOME TAXES

The Company recorded income tax expense of \$1.3 million for the three months ended September 30, 1999 versus \$118,000 for the same period of 1998. For the first nine months of 1999, approximately \$3.3 million of income tax expense was recorded versus approximately \$1.0 million of income tax benefits in the prior year period. Prior to the September 1, 1996 merger transaction that formed Wintrust, each of the merging companies, except Lake Forest Bank, had net operating losses and, based upon the start-up nature of the organization, there was not sufficient evidence to justify the full realization of the net deferred tax assets generated by those losses. Accordingly, 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 become available, subject to certain limitations, to offset tax expense generated from profitable operations. The income tax benefits recorded in the 1998 periods 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. Accordingly, unlike prior periods, the Company's results in 1999 and future years will not benefit significantly from the recognition of net operating loss carryforwards. The value of prior net operating losses recognized for financial statement reporting purposes during for the first nine months of 1999 and 1998 was approximately \$370,000 and \$2.2 million, respectively.

OPERATING SEGMENT RESULTS

As shown in Note 5 to the Unaudited Consolidated Financial Statements, the Company's operations consist of four primary segments: banking, premium finance, indirect auto, and trust. The Company's profitability is primarily dependent on the net interest income, provision for possible loan losses, non-interest income and operating expenses of its banking segment.

For the third quarter of 1999, the banking segment's net interest income totaled \$11.6 million, an increase of \$2.5 million, or 27%, as compared to the \$9.1 million recorded in the same quarter of 1998. On a year-to-date basis, the banking segment net interest income totaled \$32.6 million and increased \$7.8 million, or 31%, as compared to the 1998 period. These increases were the direct result of earning asset growth, particularly in the

loan portfolio, as earlier discussed in the Net Interest Income section. The banking segment's non-interest income totaled \$1.5 million for the third quarter of 1999 and declined \$405,000, or 21%, when compared to the prior year quarter. This decline was due to a drop in fees on mortgage loans sold that was caused by the recent rise in mortgage interest rates and the related lower levels of refinancing activity. Partially offsetting the decline in mortgage fees were increases in deposit service charges and rental income on equipment leases. On a year-to-date basis, non-interest income totaled \$5.4 million and increased \$25,000 when compared to the prior year period. Non-interest income increases resulting from a combination of higher deposit service charges and fees on a larger deposit base, call option premium income and leased equipment rental income were offset by a lower level of fees on mortgage loans sold. The banking segment's after-tax profit for the quarter ended September 30, 1999 totaled \$2.7 million, an increase of \$953,000 million, or 54%, as compared to the prior year quarterly total of \$1.8 million. For the first nine months of 1999, after-tax operating profit for the banking segment totaled \$7.6 million and increased \$4.1 million, or 118%, over the same period in 1998. This improved profitability was caused mainly from higher levels of net interest income created from the continued growth and maturation of the more established de novo banks.

Net interest income from the premium finance segment totaled \$3.1 million for the quarter ended September 30, 1999, an increase of \$456,000, or 17%, over the \$2.7 million recorded in the same quarter of 1998. On a year-to-date basis, the premium finance segment net interest income totaled \$9.4 million and increased \$2.3 million, or 33%, over the same period in 1998. Non-interest income for the three and nine months ended September 30, 1999 totaled \$377,000 and \$640,000, respectively, as a result of gains from the sale of premium finance receivables, as mentioned earlier. After-tax profit for the premium finance segment totaled \$1.2 million and \$3.2 million for the three and nine-month periods ended September 30, 1999, respectively, and increased \$617,000, or 105%, and \$1.9 million, or 135%, respectively, over the same periods of 1998. These increases were due mostly to higher levels of premium finance receivables created from new product offerings and targeted marketing programs, the gain from the sale of receivables and the control of servicing costs from enhanced systems capabilities and capacity.

The indirect auto segment recorded \$2.1 million of net interest income for the third quarter of 1999, an increase of \$652,000, or 45%, as compared to the 1998 quarterly total of \$1.4 million. On a year-to-date basis, net interest income totaled \$6.0 million and increased \$2.2 million, or 56% over the 1998 period. After-tax segment profit totaled \$775,000 and \$2.2 million for the three and nine-month periods ended September 30, 1999, respectively, increases of \$298,000, or 62%, and \$968,000, or 80%, respectively, when compared to the same periods of 1998. These increases were caused mainly by growth in outstanding indirect auto loans resulting from higher origination volumes from both existing dealers and new dealer relationships.

The trust segment recorded non-interest income of \$295,000 for the third quarter of 1999 as compared to \$210,000 for the same quarter of 1998, an increase of \$85,000, or 40%. For the first nine months of 1999, non-interest income for the trust segment totaled \$770,000 and increased \$192,000, or 33%, over the 1998 total. These increases were the result of new business development efforts by a larger staff of experienced trust professionals that were hired in connection with the start-up of WAMC. The trust segment after-tax loss totaled \$134,000 and \$546,000 for the three and nine-month periods ended September 30, 1999, respectively, as compared to after-tax totals of a \$43,000 loss and \$81,000 of net income for the same periods of 1998, respectively. The increases in after-tax segment losses were caused by the September 1998 start-up of WAMC and the related salary and employee benefit costs of hiring experienced trust professionals. As more fully discussed in the Overview and Strategy section of this analysis, management expects a start-up phase for the trust segment of a few years before its operations become profitable.

FINANCIAL CONDITION

Total assets were \$1.56 billion at September 30, 1999, an increase of \$321 million, or 26%, over the \$1.24 billion a year earlier, and \$217 million, or 16%, over the \$1.35 billion at December 31, 1998. Growth at the newer de novo banks coupled with continued market share growth at the more mature banks were the primary factors for these increases. Total funding liabilities, which include deposits, short-term borrowings, notes payable and long-term debt, were \$1.47 billion at September 30, 1999, and increased \$312 million, or 27%, over the prior year, and \$207 million, or 16%, since December 31, 1998. These increases were primarily utilized to fund growth in the loan portfolio and certain discretionary investment leveraging transactions.

INTEREST-EARNING ASSETS

The following table sets forth, by category, the composition of earning asset balances and the relative percentage of total earning assets as of the date specified (dollars in thousands):

	September 30, 1999		December 31, 1998		September 30, 1998	
	Balance	Percent	Balance	Percent	Balance	Percent
Loans:						
Commercial and commercial real estate	\$ 447,365	31%	\$ 366,229	30%	\$ 312,853	28%
Premium finance, net	215,948	15	178,138	14	174,551	15
Indirect auto, net	257,030	18	209,983	17	188,490	17
Home equity	126,467	9	111,537	9	113,946	10
Residential real estate	108,220	8	91,525	7	84,646	7
Installment and other	47,226	3	34,650	3	33,790	3
Total loans, net of unearned income	1,202,256	84	992,062	80	908,276	80
Securities and money market investments	227,654	16	240,521	20	226,518	20
Total earning assets	\$ 1,429,910	100%	\$ 1,232,583	100%	\$ 1,134,794	100%

Earning assets as of September 30, 1999 increased \$295 million, or 26%, over the balance a year earlier, and \$197 million, or 16%, over the balance at the end of 1998. The ratio of earning assets as a percent of total assets remained consistent at 91% as of each reporting period date shown in the above table.

Total net loans were \$1.20 billion at September 30, 1999, an increase of \$210 million, or 21%, since December 31, 1998, and an increase of \$294 million, or 32%, since September 30, 1998. Solid loan growth in the core commercial loan portfolio and the specialty premium finance and indirect auto segment portfolios were the main factors for these increases. Due to this growth, total net loans comprised 84% of total earning assets at September 30, 1999 as compared to 80% a year earlier and at the end of 1998. The loan-to-deposit ratio also increased to almost 87% at September 30, 1999 versus 81% a year ago and at the end of 1998.

Commercial and commercial real estate loans, the largest loan category, comprised 37% of total loans as of September 30, 1999 and has increased \$134.5 million, or 43%, since September 30, 1998 and \$81.1 million, or 22%, since the end of 1998. The strong growth experienced over the past year has resulted mainly from the low interest rate environment, a healthy economy and the hiring of additional experienced lending officers.

Net indirect auto loans comprised 21% of total net loans as of September 30, 1999 and increased \$68.5 million, or 36%, over a year ago, and \$47.0 million, or 22%, over the end of 1998. These increases were primarily the result of business development efforts that added new dealers to the established network of metropolitan Chicago auto dealer relationships and the low interest rate environment. The Company utilizes credit underwriting routines that management believes result in a high quality new and used auto loan portfolio. The Company does not currently originate any significant level of sub-prime loans, which are made to individuals with impaired credit histories at generally higher interest rates, and accordingly, with higher levels of credit risk. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans.

Net premium finance receivables totaled \$215.9 million at September 30, 1999 and comprised 18% of the total loan portfolio. This total balance increased \$41.4 million, or 24%, since September 30, 1998 and \$37.8 million, or 21%, since the end of 1998. This growth was primarily the result of increased market penetration from new product offerings and targeted marketing programs. Over the past few years, all premium finance receivables originated by FIFC were being sold to the Banks and consequently remained an asset of the Company. During the second and third quarters of 1999, and as a result of continued solid growth, approximately \$40 million of premium finance receivables were sold to an unrelated third party at a gain of \$640,000. In July 1999, FIFC signed a program agreement with Dallas-based Premium Finance Holdings (PFH) to purchase premium finance receivables originated by PFH, which is anticipated to add an estimated \$150 million to \$200 million in annual volume to FIFC's existing business. With this anticipated growth, it is possible the Company may continue to sell a portion of new volume to unrelated third parties depending on the relationship of growth to the desired capacity within the Banks' loan portfolios. All premium finance receivables, however financed, are subject to the Company's stringent credit standards, and substantially all such loans are made to commercial customers.

Home equity loans totaled \$126.5 million at September 30, 1999 and increased \$12.5 million, or 11%, since a year earlier and \$14.9 million, or 13%, as compared to the end of 1998. This category of loans has increased due mainly to targeted marketing programs, despite the large volume of home equity loans that have been refinanced into first mortgage loans over the past year as a result of low mortgage loan interest rates. Unused commitments on home equity lines of credit have increased \$14.1 million, or 8.9%, over the balance at September 30, 1998 and totaled \$173.2 million at September 30, 1999.

Residential real estate loans totaled \$108.2 million as of September 30, 1999 and increased \$23.6 million, or 28%, over a year ago and \$16.7 million, or 18%, since December 31, 1998. Mortgage loans held for sale are included in this category and totaled \$7.9 million as of September 30, 1999, \$18.0 million as of December 31, 1998 and \$15.6 million as of September 30, 1998. The Company collects a fee on the sale of these loans into the secondary market, as discussed earlier in the Non-interest Income section of this analysis. As these loans are predominantly long-term fixed rate loans, the Company eliminates the interest rate risk associated with these loans by selling them into the secondary market. The remaining residential real estate loans in this category are maintained within the Banks' portfolios and include mostly adjustable rate mortgage loans and shorter-term fixed rate mortgage loans. The growth in this loan category has been due mainly to the low mortgage interest rate environment experienced until recently and related high levels of refinancing activity.

Securities and money market investments (i.e. federal funds sold and interest-bearing deposits with banks) totaled \$227.7 million at September 30, 1999, a decline of \$12.9 million, or 5%, since December 31, 1998 and a slight increase of \$1.1 million, or 0.5%, since a year earlier. This category as a percent of total earning assets has declined to 16% at September 30, 1999 versus 20% at both December 31, 1998 and September 30, 1998;

the decline caused mainly from the continued solid growth in the loan portfolio. The Company maintained no trading account securities at September 30, 1999 or as of any of the other previous reporting dates. The balances of securities and money market investments fluctuate frequently based upon deposit inflows, loan demand and proceeds from loan sales. As a result of anticipated significant growth in the development of de novo banks, it has been Wintrust's policy to maintain its securities portfolio in short-term, liquid, and diversified high credit quality securities 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.

DEPOSITS

Total deposits at September 30, 1999 were \$1.39 billion, an increase of \$265 million, or 24%, over the September 30, 1998 total and an increase of \$159 million, or 13%, since December 31, 1998. The following table sets forth, by category, the composition of deposit balances and the relative percentage of total deposits as of the date specified (dollars in thousands):

	September 30, 1999		December 31, 1998		September 30, 1998	
	Balance	Percent of Total	Balance	Percent of Total	Balance	Percent of Total
Demand	\$ 125,870	9%	\$ 131,309	11%	\$ 106,090	9%
NOW	140,160	10	114,283	9	105,678	9
Money market	248,602	18	227,668	18	200,236	18
Savings	71,710	5	70,264	6	65,290	6
Certificates of deposit	802,100	58	685,630	56	646,462	58
Total	\$ 1,388,442	100%	\$ 1,229,154	100%	\$ 1,123,756	100%

The percentage mix of deposits as of September 30, 1999 was relatively consistent with the deposit mix as of the prior year dates. Growth in both the number of accounts and balances has been primarily the result of newer de novo bank and branch growth, and continued marketing efforts at the more established banks to create additional deposit market share.

SHORT-TERM BORROWINGS AND NOTES PAYABLE

As of September 30, 1999, the Company's short-term borrowings totaled \$40.0 million and consisted primarily of short-term repurchase agreements utilized to leverage certain investment transactions within several banks' security portfolios. At September 30, 1999, the Company also had \$7.4 million outstanding on its \$40 million revolving credit line with an unaffiliated bank. The outstanding balance on this credit line as of September 30, 1998 was \$3.2 million, which was subsequently paid-off in October 1998 from the remaining proceeds of the Company's Trust Preferred Securities offering, as more fully explained below. The Company continues to maintain the revolving credit line for corporate purposes such as to provide capital to fund continued growth at the Banks, expansion of WAMC, possible future acquisitions and for other general corporate matters.

LONG-TERM DEBT - TRUST PREFERRED SECURITIES

At September 30, 1999, the long-term debt category consists of the Company's \$31.05 million of 9.00% Cumulative Trust Preferred Securities, which were publicly sold in an offering that was completed in October 1998. The \$27.5 million balance at September 30, 1998 relates to the offering proceeds received prior to the October 9, 1998 completion of the \$3.55 million over-allotment portion of the offering. The proceeds were used to pay-off the outstanding balance on the revolving credit line. The Trust Preferred Securities offering has increased the Company's regulatory capital, has provided for the continued growth of its banking and trust franchise, and will continue to provide for growth and possible future acquisitions of other banks or finance related companies. The ability to treat these Trust Preferred Securities as regulatory capital under Federal Reserve guidelines, coupled with the Federal income tax deductibility of the related interest expense, provides the Company with a cost-effective form of capital. See Note 4 to the Unaudited Consolidated Financial Statements for further information on these Trust Preferred Securities.

SHAREHOLDERS' EQUITY

Total shareholders' equity was \$80.9 million at September 30, 1999 and increased \$7.7 million since September 30, 1998 and \$5.6 million since the end of 1998. These increases were created mostly from the retention of net income, offset partially by net unrealized losses of the available-for-sale security portfolio. The annualized return on average equity for the quarter ended September 30, 1999 increased to 12.46% as compared to 11.80% for the prior year period.

The following table reflects various consolidated measures of capital at September 30, 1999, December 31, 1998 and September 30, 1998:

	September 30, 1999	December 31, 1998	September 30, 1998
Leverage ratio	7.0%	7.5%	8.0%
Ending tier 1 capital to risk-based asset ratio	7.8%	8.5%	9.0%
Ending total capital to risk-based asset ratio	8.6%	9.7%	9.9%
Dividend payout ratio	0.0%	0.0%	0.0%

The Company's capital ratios at September 30, 1999 were lower in comparison to the ratios a year earlier due to continued asset growth, coupled with slow capital growth caused primarily from expenses associated with the newer de novo banks and the start-up of WAMC. To be "adequately capitalized", an entity must maintain a leverage ratio of at least 4.0%, a Tier 1 risk-based capital ratio of at least 4.0%, and a total risk-based capital ratio of at least 8.0%. To be considered "well capitalized," an entity must maintain a leverage ratio of at least 5.0%, a Tier 1 risk-based capital ratio of at least 6.0%, and a total risk-based capital ratio of at least 10.0%. At September 30, 1999, the Company was considered "well capitalized" under both the leverage ratio and the Tier 1 risk-based capital ratio, and was considered "adequately capitalized" under the total risk-based capital ratio.

ASSET QUALITY

ALLOWANCE FOR POSSIBLE LOAN LOSSES

A reconciliation of the activity in the allowance for possible loan losses for the three and nine months ended September 30, 1999 and 1998 is shown as follows (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Balance at beginning of period	\$ 7,677	\$ 5,856	\$7,034	\$ 5,116
Provision for possible loan losses	990	971	2,707	3,311
Charge-offs				
Core banking loans	190	235	593	1,508
Indirect automobile loans	156	115	795	380
Premium finance receivables	193	62	383	359
Total charge-offs	539	412	1,771	2,247
Recoveries				
Core banking loans	9	14	19	176
Indirect automobile loans	33	19	61	32
Premium finance receivables	30	52	150	112
Total recoveries	72	85	230	320
Net charge-offs	(467)	(327)	(1,541)	(1,927)
Balance at September 30	\$ 8,200	\$ 6,500	\$8,200	\$ 6,500
Loans at September 30			\$1,202,256	\$ 908,276
Allowance as a percentage of loans			0.68%	0.72%
Annualized net charge-offs as a percentage of average:				
Core banking loans			0.12%	0.36%
Indirect automobile loans			0.42%	0.29%
Premium finance receivables			0.15%	0.21%
Total loans			0.19%	0.32%
Annualized provision for possible loan losses			56.93%	58.20%

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 Banks' Board of Directors and their Credit Committees 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 and other potential problem loans, and an evaluation of economic conditions in the market area.

The provision for possible loan losses totaled \$990,000 for the third quarter of 1999, a slight increase from a year earlier. For the first nine months of 1999, the provision totaled \$2.7 million and declined \$604,000 from the prior year total. The higher provision in 1998 was necessary to cover increased loan charge-offs that occurred at one banking office in early 1998. For the first nine months of 1999, net charge-offs totaled \$1.5 million and were down from the \$1.9 million of net charge-offs recorded in 1998. However, indirect automobile loan net charge-offs for the first nine months of 1999 totaled \$734,000 and increased \$386,000 when compared to the same period in 1998. These increased net charge-offs occurred mainly in the second quarter of 1999 as a result of an in-depth review of all problem credits and the implementation of a more aggressive charge-off policy. On a ratio basis, annualized total net charge-offs as a percentage of average total loans declined to 0.19% for the first nine months of 1999 versus 0.32% in the same period of 1998.

Management believes the allowance for possible loan losses is adequate to cover potential losses in the portfolio. There can be no assurance, however, that future losses will not exceed the amounts provided for, thereby affecting future results of operations. The amount of future additions to the allowance for possible loan losses will be dependent upon the economy, changes in real estate values, interest rates, the view of regulatory agencies toward adequate reserve levels, the level of past-due and non-performing loans, and other factors.

PAST DUE LOANS AND NON-PERFORMING ASSETS

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

	September 30, 1999 ----	December 31, 1998 ----	September 30, 1998 ----
Past Due greater than 90 days and still accruing:			
Core banking loans	\$ 997	\$ 800	\$ 686
Indirect automobile loans	354	274	167
Premium finance receivables	1,337	1,214	778
Total	2,688	2,288	1,631
Non-accrual loans:			
Core banking loans	1,139	1,487	3,387
Indirect automobile loans	369	195	129
Premium finance receivables	1,726	1,455	875
Total non-accrual loans	3,234	3,137	4,391
Total non-performing loans:			
Core banking loans	2,136	2,287	4,073
Indirect automobile loans	723	469	296
Premium finance receivables	3,063	2,669	1,653
Total non-performing loans	5,922	5,425	6,022
Other real estate owned	-	587	-
Total non-performing assets	\$ 5,922	\$ 6,012	\$ 6,022
Total non-performing loans by category as a percent of its own respective category:			
Core banking loans	0.29%	0.38%	0.75%
Indirect automobile loans	0.28%	0.22%	0.16%
Premium finance receivables	1.42%	1.50%	0.95%
Total non-performing loans	0.49%	0.55%	0.66%
Total non-performing assets as a percentage of total assets	0.38%	0.45%	0.48%
Allowance for possible loan losses as a percentage of non-performing loans	138.47%	129.66%	107.94%

Non-performing Core Banking Loans

Total non-performing loans for the Company's core banking business were \$2.1 million, or 0.29%, of the Company's core banking loans as of September 30, 1999, and were down from the ratios of 0.38% as of December 31, 1998, and 0.75% one year ago. Although the outstanding core loan portfolio has increased 34% from a year ago, the amount of non-performing core loans has declined 48% from the prior year totals. Non-performing core banking loans consist primarily of a small number of commercial and real estate loans, which management believes are well secured and in the process of collection. In fact, about \$455,000 of the total relates to two residential real estate loans with appropriate advance ratios that protect the Company from loss. The small number of such non-performing loans allows management the opportunity to monitor closely the status of these credits and work with the borrowers to resolve these problems effectively.

Non-performing Premium Finance Receivables

Due to the nature of collateral for premium finance receivables, it customarily takes 60-150 days to convert the collateral into cash collections. Accordingly, the level of non-performing premium finance receivables is not necessarily indicative of the loss inherent in the portfolio. In the event of default, the Company has the power to cancel the insurance policy and collect the unearned portion of the premium from the insurance carrier. In the event of cancellation, the cash returned by the insurer should generally be sufficient to cover the receivable balance, the interest and other charges due. Due to notification requirements and processing time by most insurance carriers, many receivables will become delinquent beyond 90 days while the insurer is processing the return of the unearned premium. Management continues to accrue interest until maturity as the unearned premium is ordinarily sufficient to pay-off the outstanding balance and contractual interest due. Non-performing premium finance receivables were \$3.1 million, or 1.42% of total premium finance receivables, as of September 30, 1999. This ratio compares favorably with the ratio of 1.50% at December 31, 1998. The ratio fluctuates throughout the year due to the nature and timing of canceled account collections from insurance carriers. It is important to note that the ratio of losses is substantially less than the ratio of non-performing assets indicated above. Please refer to the Allowance for Possible Loan Losses table where annualized net charge-offs for the first nine months of 1999 were only 0.15% of average premium finance receivables.

Non-performing Indirect Automobile Loans

Total non-performing indirect automobile loans were \$723,000 at September 30, 1999. The ratio of these non-performing loans has increased slightly to 0.28% of total indirect automobile loans at September 30, 1999 from 0.22% at December 31, 1998 and 0.16% at September 30, 1998. Despite the increase in the level of non-performing loans, the ratios continue to be below standard industry ratios for this type of loan category.

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 are still considered performing and, accordingly, are not included in non-performing loans. Examples of these potential problem loans include certain loans that are in a past-due status, loans with borrowers that have recent adverse operating cash flow or balance sheet trends, or loans with general risk characteristics that the loan officer feels might jeopardize the future timely collection of principal and interest payments. 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. The principal amount of potential problem loans as of September 30, 1999 and December 31, 1998 was approximately \$11.3 million and \$5.1 million, respectively.

LIQUIDITY

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

INFLATION

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

YEAR 2000 READINESS DISCLOSURE

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. Like most financial service providers, the Company may be significantly affected by the Year 2000 problem due to the nature of financial information. Furthermore, if computer systems are not adequately changed to properly identify the Year 2000, many computer applications could fail or generate erroneous reports.

During 1997, management began the process of working with its two outside data processors and other software vendors to ensure that the Company is prepared for the Year 2000. Management has been in frequent contact with the outside data providers and has developed the Company's testing strategy and Year 2000 plan with the knowledge and understanding of each of the data providers' plans and timetables. Final testwork by the Company of its outside data providers' Year 2000 compliance efforts was completed during the second quarter of 1999. Additionally, critical in-house hardware and related systems, such as workstations, file servers, the wide area network and all local area networks, have been reviewed, upgraded, if necessary, and tested to be Year 2000 compliant. The completion of upgraded software installations, where previous software versions were not Year 2000 compliant, has also been completed. Customer assessments have also been completed and, based on those assessments, no significant potential exposures have been identified.

The Company has finalized and tested its contingency plan and believes the validation of this plan provides significant evidence that the Company is well prepared for the Year 2000 date change. Currently, each of the Company's bank subsidiaries are evaluating their cash needs in relation to possible additional liquidity requirements that may occur during the remainder of 1999 or early in the Year 2000. Management is also reviewing the overall liquidity position of the Company.

The Company is regulated by the Federal Reserve Bank, the Office of the Comptroller of the Currency and the State of Illinois bank regulatory agency, all of which are active in monitoring preparedness planning for systems-related Year 2000 issues. Total estimated Year 2000 compliance costs, incurred and to be incurred, are not expected to exceed \$200,000 and, accordingly, are not expected to be material to the Company's financial position or results of operations in any given year. This cost does not include internal salary and employee benefit costs for persons that have responsibilities, or are involved, with the Year 2000 project.

The above estimated dates and costs are based on management's best estimates and include assumptions of future events, including availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that current estimates will be achieved, and actual results could differ significantly from these plans. In the event the Company does experience Year 2000 systems failures or malfunctions and despite the testing preparedness efforts, or if the outside data processors prove not to be Year 2000 compliant, the Company's operations would be disrupted until the systems are restored, and the Company's ability to conduct its business may be adversely impacted in connection with processing customer transactions related to its banking operations. Management anticipates, however, that the contingency plans developed and in place would enable the Company to continue to conduct transactions on a manual basis, if necessary, for a limited period of time until the Year 2000 problems are rectified. In addition, there can be no guarantee that the systems of the Company's outside data providers, of which the Company relies upon, will be timely converted, or that failure to convert would not have a significant adverse impact to the Company.

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. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. Such forward-looking statements may be deemed to include, among other things, statements relating to anticipated improvements in financial performance and management's long-term performance goals, as well as statements relating to the anticipated effects on financial results of condition from expected development or events, the Company's business and growth strategies, including anticipated internal growth, plans to form additional de novo banks and to open new branch offices, and to pursue additional potential development or acquisition of banks or specialty finance businesses. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

- 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 formations, branch openings, and expanded trust and investment operations. De novo banks may typically require 13 to 24 months of operations before becoming profitable, due to the impact of organizational and overhead expenses, the start-up phase of generating deposits and the time lag typically involved in redeploying deposits into attractively priced loans and other higher yielding earning assets. Similarly, the expansion of trust and investment services through the Company's new trust subsidiary, WAMC, is expected to be in a start-up phase for approximately the next few years, before becoming profitable.
- 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 possible loan losses is adequate to absorb losses that may develop in the existing portfolio of loans and leases, there can be no assurance that the allowance will prove sufficient to cover actual future loan or lease losses.
- o If market interest rates should move contrary to the Company's gap position on interest earning assets and interest bearing liabilities, the "gap" will work against the Company and its net interest income may be negatively affected.
- 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 extent of the Company's preparedness efforts, and that of its outside data processing providers, software vendors, and customers, in implementing and testing Year 2000 compliant hardware, software and systems, and the effectiveness of appropriate contingency plans that have been developed.
- o Unforeseen future events that may cause slower than anticipated development and growth of the Tricom business, changes in the temporary staffing industry or difficulties integrating the Tricom acquisition.
- o Changes in the economic environment, competition, or other factors, may influence the anticipated growth rate of loans and deposits, the quality of the loan portfolio and loan and deposit pricing.

ITEM 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

As a continuing part of its financial strategy, the Company attempts to manage the impact of fluctuations in market interest rates on net interest income. This effort entails providing a reasonable balance between interest rate risk, credit risk, liquidity risk and maintenance of yield. Asset-liability management policies are established and monitored by management in conjunction with the boards of directors of the Banks, subject to general oversight by the 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. As of September 30, 1999, the Company had \$220 million notional principal amount of interest rate cap contracts that mature in December 1999 (\$100 million), April 2000 (\$60 million) and September 2000 (\$60 million). These contracts were purchased to mitigate the effect of rising rates on certain of its floating rate deposit products and fixed rate loan products. During 1999, the Company also entered into certain covered call option transactions related to certain securities held by the Company. These transactions were designed to utilize excess capital at certain banks and increase the total return associated with holding these securities as earning assets. The Company may enter into other derivative financial instruments in the future to more effectively manage its market risk.

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

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, management then would take appropriate actions within its asset/liability structure to counter these potential adverse situations. Please refer to the "Net Interest Income" section for further discussion of the net interest margin.

The Company's exposure to market risk is reviewed on a regular basis by management and the boards of directors of the Banks and the Company. The objective is to measure the effect on net income and to adjust balance sheet and 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 a rate simulation model whereby changes in net interest income are measured in the event of various changes in interest rate indices. An institution with more assets than liabilities repricing over a given time frame is considered asset sensitive and will generally benefit from rising rates and conversely, a higher level of repricing liabilities versus assets would be beneficial in a declining rate environment. The following table illustrates the Company's gap position as of September 30, 1999.

	TIME TO MATURITY OR REPRICING				Total
	0-90 Days	91-365 Days	1-5 Years	5+ Years & Other	
	----	----	-----	-----	-----
	(Dollars in thousands)				
ASSETS:					
Loans, net of unearned income.....	\$522,756	\$279,523	\$357,934	\$ 42,043	\$ 1,202,256
Securities.....	70,297	38,018	48,274	8,158	164,747
Interest-bearing bank deposits.....	1,132	2,614	-	-	3,746
Federal funds sold.....	59,161	-	-	-	59,161
Other.....	-	-	-	134,969	134,969
	-----	-----	-----	-----	-----
Total rate sensitive assets (RSA)	653,346	320,155	406,208	185,170	1,564,879
	=====	=====	=====	=====	=====
Liabilities and Shareholders' Equity:					
NOW.....	140,160	-	-	-	140,160
Savings and money market.....	284,390	-	-	35,922	320,312
Time deposits.....	363,989	329,278	108,104	729	802,100
Short term borrowings.....	40,025	-	-	-	40,025
Notes payable.....	7,350	-	-	-	7,350
Demand deposits & other					
liabilities.....	-	-	-	143,028	143,028
Trust preferred securities.....	-	-	-	31,050	31,050
Shareholders' equity.....	-	-	-	80,854	80,854
	-----	-----	-----	-----	-----
Total rate sensitive liabilities					
and equity (RSL).....	835,914	329,278	108,104	291,583	1,564,879
	=====	=====	=====	=====	=====
Cumulative gap, excluding interest					
rate caps (GAP = RSA - RSL) (1)	\$(182,568)	\$ (191,691)	\$106,413	\$ -	
	=====	=====	=====	=====	
Cumulative RSA/RSL (1).....	0.78	0.84	1.08		
RSA/Total assets.....	0.42	0.20	0.26		
RSL/Total assets (1).....	0.53	0.21	0.07		
GAP/Total assets (1).....	(12)%	(12)%	7%		
GAP/Cumulative RSA (1).....	(28)%	(20)%	8%		

(1) The gap amount and related ratios do not reflect \$220 million notional amount of interest rate caps, as discussed on the following page.

While the gap position illustrated on the previous page is a useful tool that management can assess for general positioning of the Company's and its subsidiaries' balance sheets, it is only as of a point in time and does not reflect the impact of off-balance sheet interest rate cap contracts. As of September 30, 1999, the Company had \$220 million notional principal amount of interest rate caps that reprice on a monthly basis. These interest rate caps, which mature in intervals throughout the next 12 months, were purchased to mitigate the effect of rising rates on certain floating rate deposit products and fixed rate loan products. When the gap position in the above table is adjusted for the impact of these interest rate caps, the Company's short-term gap position becomes relatively neutral in that the level of rate sensitive assets that reprice within one year approximately match the level of rate sensitive liabilities that reprice within one year.

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 interest income due to changes in interest rates over a two-year time horizon. Management measures its exposure to changes in interest rates using many different interest rate scenarios. One interest rate scenario utilized is to measure the percentage change in net interest income assuming an instantaneous permanent parallel shift in the yield curve of 200 basis points, both upward and downward. This analysis also includes the impact of both interest rate cap agreements mentioned above. Utilizing this measurement concept, the interest rate risk of the Company, expressed as a percentage change in net interest income over a two-year time horizon due to changes in interest rates, at September 30, 1999, is as follows:

	+200 Basis Points	-200 Basis Points
Percentage change in net interest income due to an immediate 200 basis point change in interest rates over a two-year time horizon....	1.4%	0.7%
	=====	=====

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: CHANGES 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 UPON SENIOR SECURITIES.

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

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

None.

ITEM 5: OTHER INFORMATION.

None.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

27 Financial Data Schedule.

(b) Reports on Form 8-K.

One Form 8-K report as of September 17, 1999 was filed during the quarter and announced the Company's signing of an agreement to acquire Tricom, Inc. of Milwaukee, a financial and administrative service bureau to the staffing industry.

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 12, 1999

/s/ Edward J. Wehmer

President & Chief Executive Officer

Date: November 12, 1999

/s/ David A. Dykstra

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

Date: November 12, 1999

/s/ Todd A. Gustafson

Vice President - Finance
(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit 27 Financial Data Schedule

ARTICLE 9

This schedule contains summary financial information extracted from the unaudited financial statements of Wintrust Financial Corporation for the nine months ended September 30, 1999 and 1998, and is qualified in its entirety by reference to such unaudited consolidated financial statements.

CIK: 0001015328

NAME: WINTRUST FINANCIAL CORPORATION

MULTIPLIER: 1,000

PERIOD TYPE	9 MOS	9 MOS
FISCAL YEAR END	DEC 31 1999	DEC 31 1998
PERIOD START	JAN 01 1999	JAN 01 1998
PERIOD END	SEP 30 1999	SEP 30 1998
CASH	38,391	28,048
INT BEARING DEPOSITS	3,746	10,231
FED FUNDS SOLD	59,161	18,250
TRADING ASSETS	0	0
INVESTMENTS HELD FOR SALE	164,747	193,037
INVESTMENTS CARRYING	0	5,000
INVESTMENTS MARKET	0	5,005
LOANS	1,202,256	908,276
ALLOWANCE	8,200	6,500
TOTAL ASSETS	1,564,879	1,243,556
DEPOSITS	1,388,442	1,123,756
SHORT TERM	47,375	3,203
LIABILITIES OTHER	17,158	15,942
LONG TERM	31,050	27,500
PREFERRED MANDATORY	0	0
PREFERRED	0	0
COMMON	8,174	8,150
OTHER SE	72,680	65,005
TOTAL LIABILITIES AND EQUITY	1,564,879	1,243,556
INTEREST LOAN	69,993	54,645
INTEREST INVEST	8,483	9,643
INTEREST OTHER	0	0
INTEREST TOTAL	78,476	64,288
INTEREST DEPOSIT	40,167	36,166
INTEREST EXPENSE	43,840	37,501
INTEREST INCOME NET	34,636	26,787
LOAN LOSSES	2,707	3,311
SECURITIES GAINS	15	0
EXPENSE OTHER	28,494	26,038
INCOME PRETAX	9,878	3,119
INCOME PRE EXTRAORDINARY	6,621	4,159
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	6,621	4,159
EPS BASIC	0.81	0.51
EPS DILUTED	0.78	0.49
YIELD ACTUAL	3.53	3.46
LOANS NON	3,234	4,391
LOANS PAST	2,688	1,631
LOANS TROUBLED	0	0
LOANS PROBLEM	11,257	2,518
ALLOWANCE OPEN	7,034	5,116
CHARGE OFFS	(1,771)	(2,247)
RECOVERIES	230	320
ALLOWANCE CLOSE	8,200	6,500
ALLOWANCE DOMESTIC	7,334	5,735
ALLOWANCE FOREIGN	0	0
ALLOWANCE UNALLOCATED	866	765

