

WINTRUST FINANCIAL CORP

FORM 10-Q (Quarterly Report)

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Industry	Regional Banks
Sector	Financial
Fiscal Year	12/31

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001
Commission File Number 0-21923

WINTRUST FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Illinois	36-3873352
-----	-----
(State of incorporation of organization)	(I.R.S. Employer Identification No.)

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

(847) 615-4096

(Registrant's telephone number, including area code)

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

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

Common Stock - no par value, 9,658,899 shares, as of August 10, 2001.

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PART I

ITEM 1 FINANCIAL STATEMENTS

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

	JUNE 30, 2001	December 31, 2000	June 30, 2000
ASSETS			
Cash and due from banks	\$ 46,282	\$ 65,413	\$ 56,552
Federal funds sold and securities purchased under resale agreements	162,845	164,641	67,658
Interest-bearing deposits with banks	60	182	189
Available-for-Sale securities, at fair value	179,858	193,105	219,361
Loans, net of unearned income	1,806,306	1,558,020	1,400,824
Less: Allowance for possible loan losses	12,111	10,433	9,792
Net loans	1,794,195	1,547,587	1,391,032
Premises and equipment, net	91,202	86,386	80,771
Accrued interest receivable and other assets	37,218	34,722	36,780
Goodwill and other intangible assets, net	10,423	10,770	11,126
Total assets	\$ 2,322,083	\$ 2,102,806	\$ 1,863,469
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
Non-interest bearing	\$ 205,414	\$ 198,319	\$ 173,967
Interest bearing	1,849,931	1,628,257	1,455,225
Total deposits	2,055,345	1,826,576	1,629,192
Short-term borrowings	15,217	43,639	46,783
Notes payable	25,000	27,575	4,850
Long-term debt - trust preferred securities	51,050	51,050	51,050
Accrued interest payable and other liabilities	42,502	51,690	33,236
Total liabilities	2,189,114	2,000,530	1,765,111
Shareholders' equity:			
Preferred stock	-	-	-
Common stock	9,637	8,857	8,850
Surplus	101,805	83,710	83,603
Common stock warrants	99	100	100
Treasury stock, at cost	-	(3,863)	(1,314)
Retained earnings	21,500	13,835	9,554
Accumulated other comprehensive loss	(72)	(363)	(2,435)
Total shareholders' equity	132,969	102,276	98,358
Total liabilities and shareholders' equity	\$ 2,322,083	\$ 2,102,806	\$ 1,863,469

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 JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
INTEREST INCOME				
Interest and fees on loans	\$ 37,542	\$ 31,064	\$ 74,405	\$ 59,802
Interest bearing deposits with banks	1	4	3	20
Federal funds sold and securities purchased under resale agreements	1,196	489	2,318	736
Securities	2,651	3,517	6,446	6,825
Total interest income	41,390	35,074	83,172	67,383
INTEREST EXPENSE				
Interest on deposits	21,423	18,299	43,595	34,898
Interest on short-term borrowings and notes payable	664	1,093	1,710	2,200
Interest on long-term debt - trust preferred securities	1,288	833	2,576	1,568
Total interest expense	23,375	20,225	47,881	38,666
NET INTEREST INCOME	18,015	14,849	35,291	28,717
Provision for possible loan losses	2,264	1,223	3,902	2,364
Net interest income after provision for possible loan losses	15,751	13,626	31,389	26,353
NON-INTEREST INCOME				
Fees on mortgage loans sold	1,948	742	3,472	1,225
Service charges on deposit accounts	606	479	1,153	948
Trust fees	523	494	973	966
Gain on sale of premium finance receivables	1,449	996	2,391	2,237
Administrative services revenue	1,121	1,141	2,142	2,154
Net securities gains (losses)	86	(28)	372	(25)
Other	1,658	680	3,738	1,277
Total non-interest income	7,391	4,504	14,241	8,782
NON-INTEREST EXPENSE				
Salaries and employee benefits	8,735	6,793	17,213	13,128
Occupancy, net	1,178	1,140	2,422	2,150
Equipment expense	1,582	1,137	3,066	2,286
Data processing	822	699	1,652	1,379
Advertising and marketing	426	322	733	571
Professional fees	534	357	1,065	652
Amortization of intangibles	169	179	347	357
Other	2,836	2,262	5,755	4,475
Total non-interest expense	16,282	12,889	32,253	24,998
Income before taxes and cumulative effect of accounting change	6,860	5,241	13,377	10,137
Income tax expense	2,497	1,922	4,856	3,696
Income before cumulative effect of accounting change	4,363	3,319	8,521	6,441
Cumulative effect of change in accounting for derivatives, net of tax	-	-	254	-
NET INCOME	\$ 4,363	\$ 3,319	\$ 8,267	\$ 6,441
BASIC EARNINGS PER SHARE:				
Income before cumulative effect of accounting change	\$ 0.50	\$ 0.38	\$ 0.99	\$ 0.73
Cumulative effect of accounting change, net of tax	-	-	0.03	-
NET INCOME PER COMMON SHARE - BASIC	\$ 0.50	\$ 0.38	\$ 0.96	\$ 0.73
DILUTED EARNINGS PER SHARE:				
Income before cumulative effect of accounting change	\$ 0.48	\$ 0.37	\$ 0.95	\$ 0.72
Cumulative effect of accounting change, net of tax	-	-	0.03	-
NET INCOME PER COMMON SHARE - DILUTED	\$ 0.48	\$ 0.37	\$ 0.92	\$ 0.72
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.00	\$ 0.00	\$ 0.07	\$ 0.05

See accompanying notes to unaudited consolidated financial statements.

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

	COMPRE- HENSIVE INCOME	COMMON STOCK	SURPLUS	COMMON STOCK WARRANTS	TREASURY STOCK	RETAINED EARNINGS (DEFICIT)	ACCUMULATED OTHER COMPRE- HENSIVE INCOME(LOSS)	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 1999		\$ 8,771	\$ 82,792	\$ 100	\$ -	\$ 3,555	\$ (2,271)	\$ 92,947
Comprehensive Income:								
Net income	\$ 6,441	-	-	-	-	6,441	-	6,441
Other Comprehensive Income (Loss), net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(164)	-	-	-	-	-	(164)	(164)
Comprehensive Income	\$ 6,277							
Cash dividends declared on common stock		-	-	-	-	(442)	-	(442)
Purchase of treasury stock, 85,700 shares at cost		-	-	-	(1,314)	-	-	(1,314)
Common stock issued upon exercise of stock options		75	759	-	-	-	-	834
Common stock issued through employee stock purchase plan		4	52	-	-	-	-	56
BALANCE AT JUNE 30, 2000		\$8,850	\$ 83,603	\$ 100	\$ (1,314)	\$9,554	\$ (2,435)	\$ 98,358
Balance at December 31, 2000		\$ 8,857	\$ 83,710	\$ 100	\$ (3,863)	\$13,835	\$ (363)	\$ 102,276
Comprehensive Income:								
Net income	\$ 8,267	-	-	-	-	8,267	-	8,267
Other comprehensive income, net of tax:								
Unrealized gains on securities, net of reclassification adjustment	275	-	-	-	-	-	275	275
Unrealized gains on derivatives	16	-	-	-	-	-	16	16
Comprehensive Income	\$ 8,558							
Common stock issuance, net of costs		750	17,603	-	3,863	-	-	22,216
Cash dividends declared on common stock		-	-	-	-	(602)	-	(602)
Common stock issued upon exercise of stock options		25	411	-	-	-	-	436
Common stock issued through employee stock purchase plan		4	74	-	-	-	-	78
Conversion of common stock warrants		1	7	(1)	-	-	-	7
BALANCE AT JUNE 30, 2001		\$9,637	\$ 101,805	\$ 99	\$ -	\$21,500	\$ (72)	\$ 132,969

Six Months Ended June 30,

DISCLOSURE OF RECLASSIFICATION AMOUNT AND INCOME TAX IMPACT:

	2001	2000
Unrealized holding gains (losses) on available-for-sale securities arising during the period, net	\$817	\$ (272)
Unrealized holding gains on derivative instruments arising during the period	26	-
Less: Reclassification adjustment for security gains (losses) included in net income, net	372	(25)
Less: Income tax expense (benefit)	180	(83)
Net unrealized gains (losses) on securities and derivative instruments	\$ 291	\$ (164)

See accompanying notes to unaudited consolidated financial statements.

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

FOR THE SIX MONTHS ENDED
JUNE 30,

	2001	2000
OPERATING ACTIVITIES:		
Net income	\$ 8,267	\$ 6,441
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Cumulative effect of accounting change	254	-
Provision for possible loan losses	3,902	2,364
Depreciation and amortization	3,913	3,734
Deferred income tax benefit	(198)	(786)
Net (accretion) amortization of securities	(683)	805
Originations of mortgage loans held for sale	(240,795)	(75,135)
Proceeds from sales of mortgage loans held for sale	232,171	83,258
Purchase of trading securities	(10,000)	(2,940)
Proceeds from sale of trading securities	10,013	2,945
Gain on sale of trading securities	(13)	(5)
Gain on sale of premium finance receivables	(2,391)	(2,237)
(Gain) loss on sale of available-for-sale securities, net	(372)	25
Loss on sale of premises and equipment	2	-
Decrease (increase) in accrued interest receivable and other assets, net	(2,745)	82
Increase (decrease) in accrued interest payable and other liabilities, net	(9,027)	9,667
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(7,702)	28,218
INVESTING ACTIVITIES:		
Proceeds from maturities of available-for-sale securities	105,825	66,032
Proceeds from sale of available-for-sale securities	635,322	9,808
Purchases of available-for-sale securities	(726,464)	(90,533)
Proceeds from sale of premium finance receivables	122,859	135,663
Net decrease in interest-bearing deposits with banks	122	2,358
Net increase in loans	(362,353)	(265,479)
Purchases of premises and equipment, net	(8,443)	(11,298)
NET CASH USED FOR INVESTING ACTIVITIES	(233,132)	(153,449)
FINANCING ACTIVITIES:		
Increase in deposit accounts	228,769	165,570
Decrease in short-term borrowings, net	(28,422)	(13,060)
Decrease in notes payable, net	(2,575)	(3,500)
Proceeds from trust preferred securities offering	-	20,000
Issuance of common stock, net of issuance costs	22,216	-
Common stock issued upon exercise of stock options	436	834
Common stock issued through employee stock purchase plan	78	56
Proceeds from conversion of common stock warrants	7	-
Purchase of common stock	-	(1,314)
Dividends paid	(602)	(442)
NET CASH PROVIDED BY FINANCING ACTIVITIES	219,907	168,144
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,927)	42,913
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	230,054	81,297
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$209,127	\$ 124,210

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 bank holding company currently engaged in the business of providing traditional community banking services and trust and investment services to customers in the Chicago metropolitan area. In addition, on a national basis, Wintrust provides financing of commercial insurance premiums and financing and administrative services to the temporary services industry.

As of June 30, 2001, Wintrust had seven 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"), Crystal Lake Bank & Trust Company, N.A. ("Crystal Lake Bank") and Northbrook Bank & Trust Company ("Northbrook Bank").

The Company provides trust and investment services at each of its Banks through its wholly-owned subsidiary, Wintrust Asset Management Company, N.A. ("WAMC"). It provides financing of commercial insurance premiums ("premium finance receivables") on a national basis, through First Insurance Funding Corporation ("FIFC"). FIFC is a wholly-owned subsidiary of Crabtree Capital Corporation which is a wholly-owned subsidiary of Lake Forest Bank. Through Tricom, Inc. of Milwaukee ("Tricom"), Wintrust also provides short-term accounts receivable financing ("Tricom finance receivables") and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing clients located throughout the United States. Tricom is a wholly-owned subsidiary of Hinsdale Bank.

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, 2000. Operating results for the three-month and six-month periods presented are not necessarily indicative of the results that 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, federal funds sold which have an original maturity of 90 days or less and securities purchased under resale agreements.

(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 JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
		2001	2000	2001	2000
Net income	(A)	\$ 4,363	\$ 3,319	\$ 8,267	\$ 6,441
Average common shares outstanding	(B)	8,661	8,760	8,638	8,779
Effect of dilutive common shares		462	211	391	212
Weighted average common shares and effect of dilutive common shares	(C)	9,123	8,971	9,029	8,991
Net income per average common share:					
Basic	(A/B)	\$ 0.50	\$ 0.38	\$ 0.96	\$ 0.73
Diluted	(A/C)	\$ 0.48	\$ 0.37	\$ 0.92	\$ 0.72

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

The Company issued \$31.05 million of 9.00% Cumulative Trust Preferred Securities in October 1998 and \$20 million of 10.50% Cumulative Trust Preferred Securities in June 2000. For purposes of generally accepted accounting principles, these securities are considered to be debt securities and not a component of shareholders' equity. However, the Trust Preferred Securities qualify as capital for regulatory purposes and have 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, 2000.

(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-month and six-month periods ended June 30, 2001 and 2000 (in thousands):

	FOR THE THREE MONTHS ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
NET INTEREST INCOME:				
Banking	\$ 17,127	\$ 13,814	\$ 33,555	\$ 26,408
Premium Finance	6,510	3,256	12,483	6,392
Indirect Auto	1,604	1,778	2,991	3,653
Tricom	965	836	1,849	1,633
Trust	186	119	352	241
Inter-segment eliminations	(6,603)	(3,883)	(12,369)	(7,643)
Other	(1,774)	(1,071)	(3,570)	(1,967)
Total	\$ 18,015	\$ 14,849	\$ 35,291	\$ 28,717
NON-INTEREST INCOME:				
Banking	\$ 4,457	\$ 2,026	\$ 8,857	\$ 3,740
Premium Finance	1,449	996	2,348	2,237
Indirect Auto	2	--	2	--
Tricom	1,100	1,150	2,142	2,167
Trust	523	494	973	966
Inter-segment eliminations	(140)	(162)	(222)	(328)
Other	--	--	141	--
Total	\$ 7,391	\$ 4,504	\$ 14,241	\$ 8,782
SEGMENT PROFIT (LOSS):				
Banking	\$ 4,871	\$ 3,407	\$ 9,748	\$ 6,254
Premium Finance	2,703	1,069	4,772	2,400
Indirect Auto	558	487	932	1,037
Tricom	323	387	602	670
Trust	(108)	(94)	(304)	(215)
Inter-segment eliminations	(2,462)	(916)	(4,586)	(1,993)
Other	(1,522)	(1,021)	(2,897)	(1,712)
Total	\$ 4,363	\$ 3,319	\$ 8,267	\$ 6,441

	AT JUNE 30,	
	2001	2000
SEGMENT ASSETS:		
Banking	\$2,290,168	\$1,877,503
Premium Finance	379,969	322,695
Indirect Auto	197,396	239,698
Tricom	27,683	32,060
Trust	5,408	2,559
Inter-segment eliminations	(592,704)	(617,534)
Other	14,163	6,488
Total	\$2,322,083	\$1,863,469

(6) ACCOUNTING POLICY FOR DERIVATIVES

Financial Accounting Standards Board Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS No. 133) was adopted by the Company on January 1, 2001. It requires that all derivative instruments be recorded in the statement of condition at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

The Company purchases interest rate caps to reduce the impact of rising interest rates on future interest expense associated with Treasury-indexed deposit accounts. The interest rate cap contracts provide for the receipt of payments when the monthly average of the 91-day Treasury bill rate exceeds predetermined strike rates. The adoption of SFAS No. 133 on January 1, 2001, resulted in a charge of \$254,000 (after tax) in the first quarter of 2001 to reflect the cumulative effect of an accounting change in the Consolidated Statements of Income.

The Company has entered into an interest rate swap agreement that effectively converts a portion of its floating-rate debt to a fixed-rate basis for three years, thus reducing the impact of interest rate changes on future interest expense. The Company designated \$25 million of its outstanding note payable as the hedged item to the interest rate swap agreement upon entering into the swap agreement. The interest rate swap, which was effective March 23, 2001, was designed to be perfectly effective as defined in SFAS No. 133. Therefore, changes in the fair market value of the swap will be reported in other comprehensive income.

The Company routinely sells call options on certain securities in the Company's available-for-sale portfolio. These covered-call transactions are designed to increase the total return associated with these securities. These derivative instruments do not qualify as hedges pursuant to SFAS No. 133. The premium income related to these covered-call transactions is included in other income in the Consolidated Statements of Income. There were no covered-call options outstanding at June 30, 2001.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of financial condition as of June 30, 2001, compared with December 31, 2000, and June 30, 2000, and the results of operations for the three-month and six-month periods ended June 30, 2001 and 2000 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 ten years, with an average life of its seven subsidiary banks of approximately five 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, FIFC and WAMC 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 operating subsidiaries as they mature, offset by the 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.

Lake Forest Bank, Hinsdale Bank, North Shore Bank, Libertyville Bank, Barrington Bank, Crystal Lake Bank and Northbrook Bank began operations in December 1991, October 1993, September 1994, October 1995, December 1996, December 1997, and November 2000, respectively. Subsequent to those initial dates of operations, each of the Banks, except Barrington Bank and Northbrook Bank, has established additional full-service banking facilities. As of June 30, 2001, the Banks had 29 banking offices.

Since the second quarter of 2000, Libertyville Bank opened a drive-thru facility in Wauconda to augment the services of its Wauconda Community Bank branch that it opened in May 2000 and Crystal Lake Bank opened a new branch in McHenry, Illinois. In addition, the Company opened its seventh de novo bank, Northbrook Bank, in Northbrook, Illinois, in November 2000. Construction is underway for a branch of Barrington Bank and new permanent facilities for Northbrook Bank and the Wauconda and McHenry branches. In April 2000, each of the Banks launched new web sites and a number of on-line financial services, including online banking, bill pay and access and review of investment portfolios at WAMC. Expenses related to these new banking operations predominantly impact only the 2001 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, WAMC and Tricom. One aspect of this strategy is to continue to pursue specialized earning asset niches, and to maintain the mix of earning assets such that loans, which are higher-yielding, are kept at a level of between 85% and 90% of our deposit funds. Another aspect of this strategy is a continued focus on less aggressive deposit pricing at those Banks with significant market share and more established customer bases.

FIFC is the Company's most significant specialized earning asset niche. It began operations in 1990 and is engaged in the business of financing insurance premiums written through independent insurance agents or brokers on a national basis for commercial customers. It is expected to generate in excess of \$1 billion in premium finance receivable volume during 2001. The majority of these receivables will be retained within the Banks' loan portfolios as part of the strategy noted above. However, since the second quarter of 1999, as a result of the continued solid growth in loan originations, FIFC has, from time to time, sold a portion of new receivables to an unrelated third party. In addition to recognizing gains on the sale of these receivables, the proceeds provide the Company with additional liquidity. It is probable that similar sales of these receivables will occur in the future, depending on the level of new volume growth in relation to the capacity to retain such loans within the Banks' loan portfolios.

The acquisition of Tricom (in October 1999) was another step in the Company's strategy to pursue specialized earning asset niches. Tricom is a Milwaukee-based company that has been in business for approximately eleven years and 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. By virtue of the Company's funding resources, Tricom has access to 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 augments the Company's fee-based revenues.

In addition to the separately chartered earning asset niches operated by FIFC and Tricom, various other earning asset niches have been developed and operate within the Banks, including an indirect auto loan division operated by Hinsdale Bank, which provides indirect auto loans to all of the Banks. Other specialized earning asset niches operated by the Banks include Lake Forest Bank's leasing division, MMF Leasing Services, which was a previously established small business that was acquired by Lake Forest Bank in July 1998, Barrington Bank's program that provides lending and deposit services to condominium, homeowner and community associations, Hinsdale Bank's mortgage warehouse lending program that provides loan and deposit services to mortgage brokerage companies located predominantly in the Chicago metropolitan area and Crystal Lake Bank's small aircraft loan portfolio. The Company continues to pursue the development or acquisition of other specialty finance businesses that generate assets suitable for bank investment and/or secondary market sales.

In September 1998, the Company formed WAMC, a separately chartered trust subsidiary. Prior to the formation of WAMC, trust and investment management services were provided 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 the 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 is offered by WAMC's experienced trust professionals. 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 has caused relatively high overhead levels when compared to initial fee income generated to date. The overhead consists primarily of the salaries and benefits of experienced trust professionals. Management currently anticipates that WAMC's efforts

to attract trust business will begin to generate sufficient trust fees to absorb the overhead of WAMC and make that entity a contributor to the Company's profits within the next few years.

RESULTS OF OPERATIONS

EARNINGS SUMMARY

Net income for the quarter ended June 30, 2001 totaled \$4.4 million, an increase of \$1.0 million, or 31%, over the second quarter of 2000. On a per share basis, net income for the second quarter of 2001 totaled \$0.48 per diluted common share, an increase of \$0.11 per share, or 30%, over the second quarter of 2000. The return on average equity for the second quarter of 2001 increased to 16.21% from 13.86% for the prior year quarter.

For the six months ended June 30, 2001, net income totaled \$8.3 million, an increase of \$1.8 million, or 28%, when compared to the same period in 2000. On a per share basis, net income for the first six months of 2001 totaled \$0.92 per diluted common share, an increase of \$0.20 per share, or 28%, compared to the first six months of 2000.

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 three-month and six-month periods ended June 30, 2001 and 2000:

(dollars in thousands)	FOR THE QUARTER ENDED JUNE 30, 2001			For the Quarter Ended June 30, 2000		
	AVERAGE	INTEREST	RATE	Average	Interest	Rate
Liquidity management assets (1) (2)	\$302,848	\$ 3,863	5.12%	\$ 249,621	\$ 4,038	6.51%
Loans, net of unearned income (2)	1,735,696	37,741	8.72	1,367,470	31,181	9.17
Total earning assets	2,038,544	41,604	8.19%	1,617,091	35,219	8.76%
Interest-bearing deposits	1,769,910	21,423	4.85%	1,399,332	18,299	5.26%
Short-term borrowings and notes payable	46,915	664	5.68	70,450	1,093	6.24
Long-term debt - trust preferred securities	51,050	1,288	10.09	34,610	833	9.63
Total interest-bearing liabilities	1,867,875	23,375	5.02%	1,504,392	20,225	5.41%
Tax equivalent net interest income	\$ 18,229			\$ 14,994		
Net interest margin	3.59%			3.73%		
Core net interest margin(3)	3.84%			3.94%		

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

(2) Interest income on tax advantaged loans and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. This total adjustment is \$214,000 and \$145,000 for the quarters ended June 30, 2001 and 2000, respectively.

(3) The core net interest margin excludes the interest expense associated with the Company's Trust Preferred Securities.

(dollars in thousands)	FOR THE SIX MONTHS ENDED JUNE 30, 2001			For the Six Months Ended June 30, 2000		
	AVERAGE	INTEREST	RATE	Average	Interest	Rate
Liquidity management assets (1) (2)	\$310,887	\$ 8,796	5.71%	\$ 239,279	\$ 7,619	6.40%
Loans, net of unearned income (2)	1,674,309	74,795	9.01	1,340,473	60,025	9.01
Total earning assets	1,985,196	83,591	8.49%	1,579,752	67,644	8.61%
Interest-bearing deposits	1,720,246	43,595	5.11%	1,366,164	34,898	5.14%
Short-term borrowings and notes payable	57,348	1,710	6.01	72,472	2,200	6.10
Long-term debt - trust preferred securities	51,050	2,576	10.09	32,830	1,568	9.55
Total interest-bearing liabilities	1,828,644	47,881	5.28%	1,471,466	38,666	5.28%
Tax equivalent net interest income	\$ 35,710			\$ 28,978		
Net interest margin	=====			=====		
	3.63%			3.69%		
Core net interest margin(3)	=====			=====		
	3.89%			3.89%		
	=====			=====		

- (1) Liquidity management assets include securities, interest earning deposits with banks, federal funds sold and securities purchased under resale agreements.
- (2) Interest income on tax advantaged loans and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. This total adjustment is \$419,000 and \$261,000 for the six-month periods ended June 30, 2001 and 2000, respectively.
- (3) The core net interest margin excludes the interest expense associated with the Company's Trust Preferred Securities.

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.

Net interest income is the major source of earnings for the Company. Tax-equivalent net interest income for the quarter ended June 30, 2001 totaled \$18.2 million, an increase of \$3.2 million, or 22%, as compared to the \$15.0 million recorded in the same quarter of 2000. This increase mainly resulted from loan growth. Tax-equivalent interest and fees on loans for the quarter ended June 30, 2001 totaled \$37.7 million, an increase of \$6.6 million, or 21%, over the prior year quarterly total of \$31.2 million. This growth was predominantly due to a \$368 million, or 27%, increase in average total loans.

For the second quarter of 2001, the net interest margin was 3.59%, a decrease of 14 basis points when compared to the margin of 3.73% in the prior year quarter. This decrease resulted primarily from the effects of continued decreases in short term rates causing some compression in the spread between the rates paid on interest bearing liabilities and yields earned on interest earning assets. Compression results when deposit rates cannot be reduced commensurate with changes in market rates due to the rates paid on certain deposit accounts being lower than the change in the market rates. The core net interest margin, which excludes the interest expense on the Company's trust preferred securities, was 3.84% for the second quarter of 2001, and decreased ten basis points when compared to the prior year quarterly core margin of 3.94%.

The rate paid on interest-bearing deposits averaged 4.85% for the second quarter of 2001 versus 5.26% for the same quarter of 2000, a decrease of 41 basis points. This decrease was caused by continued decreases in market rates. The rate paid on short-term borrowings and notes payable decreased 56 basis points to 5.68% in the second quarter of 2001 as compared to 6.24% in the same quarter of 2000. The rate on the trust preferred securities in the second quarter of 2001 was 10.09%, compared to 9.63% in the same period of 2000. The increase was due to the issuance of \$20.0 million of 10.5% trust preferred securities in June 2000.

The yield on total earning assets for the second quarter of 2001 was 8.19% as compared to 8.76% in 2000, a decrease of 57 basis points resulting primarily from decreases in the prime lending rate and general market rate decreases on liquidity management assets. The second quarter 2001 loan yield of 8.72% decreased 45 basis points when compared to the prior year quarterly yield of 9.17% and was due primarily to lower market rates. The average prime lending rate during the second quarter of 2001 was 7.34% versus an average prime lending rate of 9.24% for the second quarter of 2000. The Company's loan portfolio does not re-price in a parallel fashion to changes in the prime rate due to a portion of the portfolio being longer-term fixed rate loans.

For the first six months of 2001, tax-equivalent net interest income totaled \$35.7 million and increased \$6.7 million, or 23%, over the \$29.0 million recorded in the same period of 2000. This increase was mainly due to the growth in the Company's earning asset base. Interest and fees on loans, on a tax equivalent basis, totaled \$74.8 million for the first six months of 2001, and increased \$14.8 million, or 25%, over the same period of 2000. Average loans for the first six months of 2001 grew \$334 million, or 25%, over the average for the first six months of 2000. The net interest margin for the first six months of 2001 was 3.63%, a decrease of six basis points when compared to the same period in 2000. The core net interest margin for the first six months of 2001 was 3.89%, unchanged from the same period of 2000. Consistent with the second quarter margin, the year-to-date margin decrease was mainly the result of sustained decreases in short-term interest rates.

The following table presents a reconciliation of the Company's net interest income, calculated on a tax equivalent basis, between the three and six-month periods ended June 30, 2000 and June 30, 2001. 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 -----	Six Month Period -----
Tax equivalent net interest income for the period ended June 30, 2000.....	\$ 14,994	\$ 28,978
Change due to average earning assets fluctuations (volume).....	4,077	6,370
Change due to interest rate fluctuations (rate).....	(377)	87
Change due to rate/volume fluctuations (mix).....	(465)	275
	-----	-----
Tax equivalent net interest income for the period ended June 30, 2001	\$ 18,229	\$ 35,710
	=====	=====

NON-INTEREST INCOME

For the second quarter of 2001, non-interest income totaled \$7.4 million and increased \$2.9 million, or 64%, over the prior year quarter. Significant increases were realized in fees from the origination and sale of mortgage loans into the secondary market, gains from the sale of premium finance receivables and income from certain covered call option transactions.

For the first six months of 2001, non-interest income totaled \$14.2 million and increased \$5.5 million, or 62%, when compared to the same period in 2000.

The following table presents non-interest income by category (in thousands):

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	JUNE 30,		JUNE 30,	
	2001	2000	2001	2000
Fees on mortgage loans sold	\$ 1,948	\$ 742	\$ 3,472	\$ 1,225
Service charges on deposit accounts	606	479	1,153	948
Trust fees	523	494	973	966
Administrative services revenue	1,121	1,141	2,142	2,154
Gain on sale of premium finance receivables	1,449	996	2,391	2,237
Net securities gains (losses)	86	(28)	372	(25)
Other income	1,658	680	3,738	1,277
Total non-interest income	\$ 7,391	\$ 4,504	\$ 14,241	\$ 8,782

Fees on mortgage loans sold include income from originating and selling residential real estate loans into the secondary market. For the quarter ended June 30, 2001, these fees totaled \$1.9 million, an increase of \$1.2 million, or 163%, from the prior year quarter. For the first six months of 2001, fees on mortgage loans sold totaled \$3.5 million and increased \$2.2 million, or 183%, when compared to the same period of 2000. These increases were due to significantly higher levels of mortgage origination volumes during 2001, particularly refinancing activity, caused by the recent decreases in mortgage interest rates. Management anticipates that the high levels of refinance activity have peaked and may taper off to more normalized levels during the second half of 2001 barring any further reductions in mortgage interest rates.

Service charges on deposit accounts totaled \$606,000 for the second quarter of 2001, an increase of \$127,000, or 27%, when compared to the same quarter of 2000. For the first six months of 2001, deposit service charges totaled \$1.2 million, and increased \$205,000, or 22%, when compared to the same period of 2000. These increases were due to a higher deposit base and a larger number of accounts at the banking subsidiaries. The majority of deposit service charges relates to customary fees on overdrawn accounts and returned items. The level of service charges received is substantially below peer group levels as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

Trust fees totaled \$523,000 for the second quarter of 2001, a \$29,000, or 6%, increase over the same quarter of 2000. For the six months ended June 30, 2001, trust fees totaled \$973,000, compared to \$966,000 for the first six months of 2000. The down-turn in the stock market over the past year has had a slight negative impact on the valuation of the equity securities under management and the fees earned thereon. Wintrust 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 fee income that is generated. It is anticipated that trust fees will eventually increase to a level sufficient to absorb this overhead within the next few years.

Tricom's administrative services revenue contributed \$1.1 million to non-interest income in the second quarter of 2001 and \$2.1 million for the first six months of 2001. These amounts were relatively consistent with the level of revenue in the prior year quarter and year-to-date periods. This revenue comprises income from administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients located throughout the United States. The revenue growth at Tricom has stagnated in

recent quarters due to the general slowdown in the economy and the reduction in the placement of temporary staffing individuals by Tricom's customers. Tricom also earns interest and fee income from providing short-term accounts receivable financing to this same client base, which is included in the net interest income category.

During the second quarter of 2001, the Company sold approximately \$72 million of premium finance receivables to an unrelated third party and recognized gains of \$1.4 million related to this activity, compared to the sale of \$62 million of premium finance receivables in the second quarter of 2000 that resulted in gains of \$996,000. Through the first six months of 2001, approximately \$123 million of premium finance receivables were sold resulting in year-to-date gains of \$2.4 million, compared to the sale of \$133 million of premium finance receivables in the first six months of 2000, which resulted in gains of \$2.2 million. The sales are the result of continued strong loan originations by the Company's premium finance receivable subsidiary. The Company currently has a philosophy of maintaining its average loan-to-deposit ratio in the range of 85-90%. During the second quarter of 2001, the ratio was approximately 88%. Accordingly, the Company sold excess premium finance receivables volume to an unrelated third party financial institution. Consistent with Wintrust's strategy to be asset-driven and the desire to maintain our loan-to-deposit ratio in the aforementioned range, it is probable that similar sales of premium finance receivables will occur in the future.

Other non-interest income for the second quarter of 2001 totaled \$1.7 million and increased \$978,000, or 144%, over the prior year quarterly total of \$680,000. This increase was due primarily to a \$794,000 increase in premium income from certain covered call option transactions. The Company routinely enters into these transactions with the goal of enhancing its overall return on its investment portfolio. The Company generally writes the call options against certain U.S. Treasury and agency issues held in its portfolio for liquidity and other purposes. Also contributing to the increase in other non-interest income was a \$140,000 increase in rental income from equipment leases. For the first six months of 2001, other non-interest income totaled \$3.7 million and increased \$2.5 million over the same period of 2000. Included in this increase are increases in premium income from covered call option transactions of \$2.0 million and increases in rental income from equipment leases of \$290,000.

NON-INTEREST EXPENSE

Non-interest expense for the second quarter of 2001 totaled \$16.3 million and increased \$3.4 million, or 26%, from the second quarter 2000 total of \$12.9 million. For the first six months of 2001, non-interest expense totaled \$32.3 million and increased \$7.3 million, or 29%, when compared to the prior year period. The continued growth and expansion of the de novo banks with additional branches, the opening of the Company's seventh de novo bank (Northbrook Bank) in November 2000 and the growth in the premium finance business were the primary causes for this increase. Since June 30, 2000, total deposits have grown 26% and total loan balances have risen 29%, 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		SIX MONTHS	
	ENDED JUNE 30,		ENDED JUNE 30,	
	2001	2000	2001	2000
Salaries and employee benefits	\$ 8,735	\$ 6,793	\$ 17,213	\$ 13,128
Occupancy, net	1,178	1,140	2,422	2,150
Equipment expense	1,582	1,137	3,066	2,286
Data processing	822	699	1,652	1,379
Advertising and marketing	426	322	733	571
Professional fees	534	357	1,065	652
Other	3,005	2,441	6,102	4,832
Total non-interest expense	\$ 16,282	\$ 12,889	\$ 32,253	\$ 24,998

Salaries and employee benefits expense totaled \$8.7 million for the second quarter of 2001, an increase of \$1.9 million, or 29%, as compared to the prior year quarter total of \$6.8 million. For the first six months of 2001, salaries and employee benefits expense totaled \$17.2 million and increased \$4.1 million, or 31%, when compared to the first six months of 2000. These increases were primarily due to increases in commissions paid to mortgage loan originators related to fees on mortgage loans sold, the opening of Northbrook Bank and three additional banking offices and increased staffing at the Company's premium finance subsidiary. As a percent of average total assets, on an annualized basis, salaries and employee benefits were 1.61% and 1.51% for the first six months of 2001 and 2000, respectively. The increase in this ratio is a result of increases in salaries and benefits related to fee-based sources of revenue, such as the origination and sale of mortgage loans and trust and investment services.

For the second quarter of 2001, occupancy costs, equipment expense and data processing increased \$38,000 (3%), \$445,000 (39%) and \$123,000 (18%), respectively, over the prior year second quarter. For the first six months of 2001, the respective increases were \$272,000 (13%), \$780,000 (34%) and \$273,000 (20%). These increases were due to the general growth of the Company, including the opening of several new banking facilities, technological initiatives in on-line banking and the continued development of the trust and investment business.

Professional fees totaled \$534,000 for the second quarter of 2001, an increase of \$177,000 compared to the same period of 2000. For the first six months of 2001, professional fees totaled \$1.1 million, an increase of \$413,000, or 63%, compared to the same period of 2000. Professional fees include legal fees, audit and tax fees, external loan review costs and normal regulatory exam assessments. The increase in professional fees is attributable to the general growth in the Company's total assets and fee-based businesses and increased collection efforts at the premium finance subsidiary.

Other non-interest expense, for the second quarter of 2001 totaled \$3.0 million, compared to \$2.4 million for the same period of 2000. For the six months ended June 30, 2001, other non-interest expense totaled \$6.1 million, and increased \$1.3 million, or 26%, compared to the first six months of 2000. These increases were due mainly to the factors mentioned earlier. This category of expense includes loan expenses, correspondent bank service charges, postage, insurance, stationery and supplies, goodwill amortization and other sundry expenses. Goodwill and other intangibles amortization expense totaled \$169,000 and \$347,000 for the three and six month periods of 2001, respectively, compared to \$179,000 and \$357,000 for the same periods of 2000, respectively.

Despite the increases in many of the non-interest expense categories, Wintrust's ratio of non-interest expense to total average assets for the first six months of 2001 was 3.01% and is comparable to the Company's most recent peer group ratio. In addition, the net overhead ratio for the first six months of 2001 improved to 1.68% as compared to the first six months of 2000 ratio of 1.87%. The overhead ratio is within management's stated performance goal range of 1.50% - 2.00%.

INCOME TAXES

The Company recorded income tax expense of \$2.5 million for the three months ended June 30, 2001 compared to \$1.9 million for the same period of 2000. For the first six months of 2001, approximately \$4.9 million of income tax expense was recorded compared to \$3.7 million in the prior year period. The increase was due primarily to the increase in operating income. The effective tax rate for the first six months of 2001 and 2000 was approximately 36%.

The Company also recorded a tax benefit in the first quarter of 2001 of approximately \$161,000 related to the cumulative effect of adopting SFAS No. 133, Accounting for Derivatives. This tax benefit is included in the amount reported as the cumulative effect of an accounting change.

OPERATING SEGMENT RESULTS

As shown in Note 5 to the Unaudited Consolidated Financial Statements, the Company's operations consist of five primary segments: banking, premium finance, indirect auto, Tricom 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 second quarter of 2001, the banking segment's net interest income totaled \$17.1 million, an increase of \$3.3 million, or 24%, as compared to the \$13.8 million recorded in the same quarter of 2000. On a year-to-date basis, the banking segment net interest income totaled \$33.6 million and increased \$7.1 million, or 27%, as compared to the 2000 period. These increases were the direct result of an increase of 26% in average earning assets, particularly in the loan portfolio, as earlier discussed in the Net Interest Income section. The banking segment's non-interest income totaled \$4.5 million for the second quarter of 2001 and increased \$2.4 million, or 120%, when compared to the prior year quarter. This increase was due primarily to a \$1.2 million increase in fees on mortgage loans sold resulting from higher levels of refinancing activity caused by the recent decline in mortgage interest rates and a \$794,000 increase in fees from covered call option transactions which are routinely entered into to enhance the overall return on the investment portfolio. On a year-to-date basis, non-interest income totaled \$8.9 million and increased \$5.1 million, or 137%, as compared to the first six months of 2000. Similar to the quarterly comparisons, the year-to-date increase was primarily a result of an increase in fees on mortgage loans sold of \$2.2 million and an increase in premium income from covered call option transactions of \$2.0 million. The banking segment's after-tax profit for the quarter ended June 30, 2001, totaled \$4.9 million, an increase of \$1.5 million, or 43%, as compared to the prior year quarterly total of \$3.4 million. For the first six months of 2001, after-tax operating profit for the banking segment totaled \$9.7 million and increased \$3.5 million, or 56%, over the same period of 2000. This improved profitability resulted mainly from higher levels of net interest income created from the continued growth and maturation of the Company's de novo banks and branches as well as the factors mentioned above.

Net interest income from the premium finance segment totaled \$6.5 million for the quarter ended June 30, 2001, an increase of \$3.3 million, or 100% compared to \$3.3 million for the same quarter of 2000. On a year-to-date basis, the premium finance segment net interest income totaled \$12.5 million compared to \$6.4 million recorded for the first six months of 2000. The increases in net interest income are a result of higher levels of outstanding receivables and lower funding costs associated with this portfolio in 2001. Non-interest income for the three months ended June 30, 2001 totaled \$1.4 million compared to \$1.0 million for the same period of 2000. For the first six months of 2001, non-interest income for the premium finance segment totaled \$2.3 million compared to the \$2.2 million recorded in the same period of 2000. The increases are primarily a result of gains from the sale of additional premium finance receivables in 2001, as mentioned earlier in this report. After-tax profit for the premium finance segment totaled \$2.7 million for the three-month period ended June 30, 2001, and increased \$1.6 million, 153%, over the same period of 2000. For the six months ended June 30, 2001 and 2000, the after-tax profit for this segment was \$4.8 million and \$2.4 million, respectively. The year-to-date increase in after-tax profit was due mostly to higher levels of premium finance receivables created from targeted marketing programs as well as increases in insurance premiums charged by insurance carriers as well as a lower funding costs associated to this portfolio in 2001.

The indirect auto segment recorded \$1.6 million of net interest income for the second quarter of 2001, a decline of \$174,000, or 10%, as compared to the 2000 quarterly total. On a year-to-date basis, net interest income totaled \$3.0 million, a decline of \$662,000, or 18%, from the comparable period of 2000. Average outstanding loans decreased \$55 million, or 22%, in the first six months of 2001 compared to the same period of 2000. After-tax segment profit totaled \$558,000 for the three-month period ended June 30, 2001, compared to \$487,000 for the same period of 2000. For the first six months of 2001, after-tax operating profits were \$932,000, compared to \$1.0 million in the first six months of 2000. This segment's profitability was impacted by a lower level of credit losses offset by lower outstanding loan balances. See further discussion of credit quality information in the "ASSET QUALITY" section of this report.

The Tricom segment data reflects the net interest income, non-interest income and segment profit associated with short-term accounts receivable financing and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, that Tricom provides to its clients in the temporary staffing industry. For the quarter and six months ended June 30, 2001, the Tricom segment added \$965,000 and \$1.8 million, respectively, to the Company's net interest income, increases of 15% and 13%, respectively over the same periods of 2000. Non-interest income for the second quarter and year-to-date periods were \$1.1 million, and \$2.1 million, respectively, relatively unchanged from the comparable periods of 2000. The segment's after tax profit was \$323,000 for the second quarter of 2001 and \$602,000 for the year-to-date period, relatively unchanged from the \$387,000 in the second quarter of 2000 and \$670,000 in the year-to-date period of 2000. The revenue growth at Tricom has stagnated in recent quarters due to the general slowdown in the economy and the reduction in the placement of temporary staffing individuals by Tricom's customers.

The trust segment reported net interest income of \$186,000 for the second quarter of 2001 and \$119,000 for the same period last year. On a year-to-date basis, net interest income was \$352,000 and \$241,000, for 2001 and 2000, respectively. The net interest income reported by the trust segment is due to the trust company's earning assets as well as the net interest allocated to the trust company from trust account balances on deposit at the Banks. The trust segment recorded non-interest income of \$523,000 for the second quarter of 2001 as compared to \$494,000 for the same quarter of 2000. On a year-to-date basis, non-interest income for the trust

segment was \$973,000 and \$966,000, respectively, for 2001 and 2000. The trust segment's non-interest income represents fees earned on assets under management. The trust segment's after-tax loss totaled \$108,000 for the three-month period ended June 30, 2001, as compared to after-tax loss of \$94,000 for the same period of 2000. For the first six months of 2001 and 2000, after-tax losses for this segment were \$304,000 and \$215,000, respectively. The trust segment's fee based revenues have been negatively affected by the down-turn in the stock market over the past year, which has had a negative effect on the valuation of the equity securities under management and the fees earned thereon. As more fully discussed in the Overview and Strategy section of this analysis, management expects the start-up phase for the trust segment to continue for a few years before its operations become profitable.

FINANCIAL CONDITION

Total assets were \$2.32 billion at June 30, 2001, an increase of \$459 million, or 25%, over the \$1.86 billion a year earlier, and \$219 million, or 10%, over the \$2.10 billion at December 31, 2000. Growth at the newer banks and branches 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 \$2.15 billion at June 30, 2001, and increased \$415 million, or 24%, over the prior year, and \$198 million, or 10%, since December 31, 2000. These increases were primarily utilized to fund growth in the loan portfolio.

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):

	JUNE 30, 2001		December 31, 2000		June 30, 2000	
	BALANCE	PERCENT	Balance	Percent	Balance	Percent
Loans:						
Commercial and commercial real estate	\$ 826,364	38%	\$ 647,947	34%	\$ 552,694	33%
Premium finance, net	345,789	16	313,065	16	250,796	15
Indirect auto, net	190,140	9	203,572	11	234,774	14
Home equity	209,149	10	179,168	9	157,042	9
Residential real estate	154,479	7	141,919	7	135,746	8
Tricom finance receivables	16,824	1	20,354	1	20,978	1
Installment and other	63,561	3	51,995	3	48,794	3
Total loans, net of unearned income	1,806,306	84	1,558,020	81	1,400,824	83
Securities and money market investments	342,763	16	357,928	19	287,208	17
Total earning assets	\$ 2,149,069	100%	\$ 1,915,948	100%	\$ 1,688,032	100%

Earning assets as of June 30, 2001, increased \$461 million, or 27%, over the balance a year earlier, and \$233 million, or 12%, over the balance at the end of 2000. The ratio of earning assets as a percent of total assets remained consistent at approximately 91 - 93% as of each reporting period date shown in the above table.

Total net loans were \$1.81 billion at June 30, 2001, an increase of \$248 million, or 16%, since December 31, 2000, and an increase of \$405 million, or 29%, since June 30, 2000. Solid loan growth occurred in the core commercial loan, home equity and residential real estate portfolios, as well as in the premium finance receivables, and offset the decrease in the indirect auto loans. Total net loans comprised 84% of total earning assets at June 30, 2001 as compared to 83% a year earlier and 81% at the end of 2000.

Commercial and commercial real estate loans, the largest loan category, comprised 38% of total earning assets and 46% of total loans as of June 30, 2001 and has increased \$274 million, or 50%, since June 30, 2000 and \$178 million, or 28%, since the end of 2000. The strong growth experienced over the past year has resulted mainly from a healthy local economy and the hiring of additional experienced lending officers.

Net premium finance receivables totaled \$346 million at June 30, 2001 and comprised 16% of total earning assets and 19% of total loans as of June 30, 2001. This portfolio increased \$95 million, or 38%, since June 30, 2000 and \$33 million, or 10%, since the end of 2000. This growth was primarily the result of market increases in insurance premiums charged by insurance carriers. The Company is on track to originate in excess of \$1 billion in premium finance receivables in 2001. The majority of the premium finance receivables originated by FIFC is sold to the Banks and consequently remain an earning asset of the Company. However, as a result of the continued solid growth in loan originations, FIFC has been selling a portion of new receivables to an unrelated third party. During the second quarter of 2001 FIFC originated approximately \$328 million of premium finance receivables and sold approximately \$72 million of such receivables to an unrelated third party. The Company sold approximately \$123 million of premium finance receivables in the first six months of 2001, compared to \$133 million during the first six months of 2000. The sale of these receivables to an unrelated third party results in the recognition of gains and provides the Company with additional liquidity. FIFC continues to service the receivables sold to third parties. It is probable that sales of these receivables to third parties will occur in the future, however such sales are dependent on the overall level of new volume growth in relation to the capacity to retain the loans within the Banks' loan portfolios.

Net indirect auto loans comprised 9% of total earning assets and 11% of total loans as of June 30, 2001. This portfolio decreased \$45 million, or 19%, from a year ago, and decreased \$13 million, or 7%, since the end of 2000. The decreases in this portfolio were the result of the Company's desire to reduce its reliance upon indirect automobile lending as a percent of the overall earning asset portfolio due to the current economic environment, competitive pricing and margin concerns. 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.

Tricom finance receivables consist of high-yielding short-term accounts receivable financing to clients in the temporary staffing industry located throughout the United States. These receivables represented approximately 1% of the Company's total earning assets at June 30, 2001, December 31, 2000 and June 30, 2000.

Home equity loans totaled \$209 million at June 30, 2001 and increased \$52 million, or 33%, since a year earlier and \$30 million, or 17%, as compared to the end of 2000. This category of loans continues to represent approximately 9%-10% of total earning assets and has grown in proportion to the entire growth of the Company. The growth is due mainly to targeted marketing programs over the past year and higher usage of existing lines than in the past. The marketing programs generally use a short-term low initial interest rate as an

incentive to the borrower. Unused commitments on home equity lines of credit have increased \$58 million, or 28%, over the balance at June 30, 2000 and totaled \$263 million at June 30, 2001.

Residential real estate loans totaled \$154 million as of June 30, 2001 and increased \$19 million, or 14%, over a year ago and \$13 million, or 9%, since December 31, 2000. Mortgage loans held for sale are included in this category and totaled \$19.0 million as of June 30, 2001, \$10.4 million as of December 31, 2000 and \$12.1 million as of June 30, 2000. 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 relatively low mortgage interest rate environment and a continued strong local housing market. This category of loans continues to represent approximately 7%-8% of total earning assets and has grown in proportion to the entire growth of the Company.

Securities and money market investments (i.e. federal funds sold and interest-bearing deposits with banks) totaled \$343 million at June 30, 2001, representing a decrease of \$15 million, or 4%, since December 31, 2000 and an increase \$56 million, or 19%, since a year earlier. This category as a percent of total earning assets was 16% at June 30, 2001 versus 19% and 17% at December 31, 2000 and June 30, 2000, respectively. The Company maintained no trading account securities at June 30, 2001 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 growth in the development of the de novo banks, it has been Wintrust's policy to generally maintain its securities and money market 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 June 30, 2001 were \$2.06 billion, an increase of \$426 million, or 26%, over the June 30, 2000 total and an increase of \$229 million, or 13%, since December 31, 2000. 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):

	JUNE 30, 2001		December 31, 2000		June 30, 2000	
	BALANCE	PERCENT OF TOTAL	Balance	Percent of Total	Balance	Percent of Total
Demand	\$ 205,414	10%	\$ 198,319	11%	\$ 173,967	11%
NOW	193,752	10	180,897	10	154,056	9
Money market	296,362	14	295,772	16	284,918	17
Savings	105,097	5	74,460	4	74,434	5
Certificates of deposit	1,254,720	61	1,077,128	59	941,817	58
Total	\$ 2,055,345	100%	\$ 1,826,576	100%	\$ 1,629,192	100%

The percentage mix of deposits as of June 30, 2001 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 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 June 30, 2001, the Company's short-term borrowings totaled \$15.2 million and represented customer repurchase agreements. At June 30, 2001, the Company also had \$25.0 million outstanding on its \$50 million revolving credit line with an unaffiliated bank. The outstanding balance on this credit line as of June 30, 2000 was \$4.9 million and \$27.6 million at December 31, 2000. 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, purchases of treasury stock, possible future acquisitions and for other general corporate matters.

LONG-TERM DEBT - TRUST PREFERRED SECURITIES

The long-term debt category consists of the Company's trust preferred securities. At June 30, 2001, December 31, 2000 and June 30, 2000, \$51.05 million of trust preferred securities were outstanding. The Company issued \$31.05 million of 9.00% Cumulative Trust Preferred Securities in October 1998 and \$20.0 million of 10.50% Cumulative Trust Preferred Securities in June 2000. Both issues were sold in public offerings. The Trust Preferred Securities increased the Company's regulatory capital level and provided for the continued growth of its franchise. 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 the first Trust Preferred Securities offering.

SHAREHOLDERS' EQUITY

Total shareholders' equity was \$133 million at June 30, 2001 and increased \$35 million since June 30, 2000 and \$31 million since the end of 2000. In June 2001, the Company issued 992,500 additional shares of common stock through a public offering, realizing net proceeds of approximately \$22.2 million. In addition to the increase resulting from the common stock offering, increases in total shareholders equity were the result of the Company's corporate earnings and changes in net unrealized losses in the available-for-sale security portfolio, offset in part by dividend payments and stock repurchases. The annualized return on average equity for the quarter ended June 30, 2001 increased to 16.21% as compared to 13.86% for the prior year period.

The following table reflects various consolidated measures of capital at June 30, 2001, December 31, 2000 and June 30, 2000:

	JUNE 30, 2001	December 31, 2000	June 30, 2000
Leverage ratio	7.6%	6.3%	6.9%
Ending tier 1 capital to risk-based asset ratio	8.3%	6.9%	7.3%
Ending total capital to risk-based asset ratio	9.3%	8.4%	8.9%
Dividend payout ratio	7.6%	8.0%	6.9%

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 June 30, 2001, 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. The Company's capital ratios increased since the comparable prior year period and since December 31, 2000, due in large part to the issuance of the additional common stock in June 2001.

The Company attempts to maintain an efficient capital structure in order to provide higher returns on equity. Additional capital is required from time to time, however, to support the growth of the organization. The issuance of additional common stock or additional trust preferred securities are the primary forms of capital that the Company considers as it evaluates its capital position.

In January 2001, Wintrust declared a semi-annual cash dividend of \$0.07 per common share, a 40% increase over the prior dividend amount. Subsequent to the end of the second quarter the Company declared another dividend of \$0.07 per common share, payable August 23, 2001 to shareholders of record on August 9, 2001. In January and July 2000, Wintrust declared semi-annual cash dividends of \$0.05 per common share.

In January 2000, the Company initiated a stock buyback program authorizing the repurchase of up to 300,000 shares of its common stock. Through December 31, 2000, the Company repurchased a total of 242,300 shares at an average price of \$15.94 per share. No additional repurchases were made since December 31, 2000.

ASSET QUALITY

ALLOWANCE FOR POSSIBLE LOAN LOSSES

A reconciliation of the activity in the allowance for possible loan losses for the three and six months ended June 30, 2001 and 2000 is shown as follows (dollars in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
Balance at beginning of period	\$ 11,067	\$ 9,359	\$10,433	\$8,783
Provision for possible loan losses	2,264	1,223	3,902	2,364
Charge-offs				
Core banking loans	301	316	408	446
Indirect automobile loans	203	320	490	631
Tricom receivables	--	73	--	73
Premium finance receivables	836	158	1,548	359
Total charge-offs	1,340	867	2,446	1,509
Recoveries				
Core banking loans	2	3	4	11
Indirect automobile loans	35	30	89	73
Tricom receivables	--	--	--	--
Premium finance receivables	83	44	129	70
Total recoveries	120	77	222	154
Net charge-offs	(1,220)	(790)	(2,224)	(1,355)
Balance at June 30	\$ 12,111	\$ 9,792	\$12,111	\$9,792
Loans at June 30			\$1,806,306	\$1,400,824
Allowance as a percentage of loans			0.67%	0.70%
Annualized net charge-offs as a percentage of average:				
Core banking loans			0.07%	0.11%
Indirect automobile loans			0.42%	0.45%
Tricom receivables			--	0.78%
Premium finance receivables			0.81%	0.23%
Total loans			0.27%	0.20%
Annualized provision for possible loan losses			57.00%	57.32%

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' Boards 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 is charged to earnings through the provision for possible loan losses, is 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 \$2.3 million for the second quarter of 2001, an increase of \$1.0 million, compared to the second quarter of 2000. For the first six months of 2001, the provision totaled \$3.9 million and increased \$1.5 million from the prior year total. The higher provisions in 2001 were the result of an increase in loan balances of 29% compared to June 30, 2000 and a higher level of net charge-offs for the first six months of 2001 compared to 2000 in the premium finance receivables portfolio. For the six months ended June 30, 2001, net charge-offs totaled \$2.2 million and increased \$869,000 from the \$1.4 million of net charge-offs recorded in the same period of 2000. On a ratio basis, net charge-offs as a percentage of average loans was 0.27% for the first six months of 2001, compared to 0.20% for the first six months of 2000.

Management believes the allowance for possible loan losses is adequate to provide for losses inherent 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).

	JUNE 30, 2001 ----	March 31, 2001 ----	December 31, 2000 ----	June 30, 2000 ----
Past Due greater than 90 days and still accruing:				
Core banking loans	\$ 1,255	\$ 1,778	\$ 651	\$ 438
Indirect automobile loans	372	350	397	362
Tricom receivables	--	--	--	--
Premium finance receivables	2,982	4,881	4,306	1,817
Total	4,609	7,009	5,354	2,617
Non-accrual loans:				
Core banking loans	1,389	720	770	626
Indirect automobile loans	274	234	221	391
Tricom receivables	112	112	--	--
Premium finance receivables	6,392	5,872	3,338	2,548
Total non-accrual loans	8,167	6,938	4,329	3,565
Total non-performing loans:				
Core banking loans	2,644	2,498	1,421	1,064
Indirect automobile loans	646	584	618	753
Tricom receivables	112	112	--	--
Premium finance receivables	9,374	10,753	7,644	4,365
Total non-performing loans	12,776	13,947	9,683	6,182
Other real estate owned	100	--	--	--
Total non-performing assets	\$ 12,876	\$ 13,947	\$ 9,683	\$ 6,182
Total non-performing loans by category as a percent of its own respective category:				
Core banking loans	0.21%	0.22%	0.14%	0.12%
Indirect automobile loans	0.34%	0.31%	0.30%	0.32%
Tricom receivables	0.67%	0.60%	--	--
Premium finance receivables	2.71%	3.22%	2.44%	1.74%
Total non-performing loans	0.71%	0.84%	0.62%	0.44%
Total non-performing assets as a percentage of total assets	0.55%	0.64%	0.46%	0.33%
Allowance for possible loan losses as a percentage of non-performing loans	94.79%	79.35%	107.75%	158.40%

Non-performing Core Banking Loans

Total non-performing loans for the Company's core banking business were \$2.6 million, or 0.21%, of the Company's core banking loans as of June 30, 2001, compared to 0.14% as of December 31, 2000 and 0.12% as of June 30, 2000. Non-performing core banking loans consist primarily of a small number of commercial and real estate loans, of which management believes are well secured and in the process of collection. 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

The table below presents the level of non-performing premium finance receivables as of June 30, 2001 and 2000, and the amount of net charge-offs for the six months then ended.

	JUNE 30, 2001	June 30, 2000
Non-performing premium finance receivables	\$9,374,000	\$4,365,000
- as a percent of premium finance receivables	2.71%	1.74%
Net charge-offs of premium finance receivables	\$1,419,000	\$ 289,000
- annualized as a percent of premium finance receivables	0.81%	0.23%

The level of non-performing premium finance loans, although higher than levels at December 31, 2000 and June 30, 2000, has declined to 2.71% of premium finance loans outstanding from 3.22% at the end of the first quarter of 2001. As noted in the Company's first quarter report, the Company eliminated a significant number of relationships with insurance agencies that were referring business to our premium finance subsidiary that had relatively small balances and higher than normal delinquency rates. The business associated with those accounts is gradually becoming a less significant percent of the entire portfolio and should be nearly extinguished by the end of the current fiscal year. Because of the longer-term nature of converting collateral to cash in this industry (generally 60-150 days), we anticipated that delinquencies would decline in the second and third quarters of 2001. In fact, during the second quarter of 2001, the delinquencies did decline in percentage terms as previously noted and the absolute dollars of non-performing loans declined by approximately \$1.4 million. We expect the non-performing ratios related to this portfolio to decline again in the third quarter to more normalized levels.

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

Non-performing Indirect Automobile Loans

Total non-performing indirect automobile loans were \$646,000 at June 30, 2001, compared to \$618,000 at December 31, 2000 and \$753,000 at June 30, 2000. The ratio of these non-performing loans has increased slightly to 0.34% of total indirect automobile loans at June 30, 2001 from 0.30% at December 31, 2000 and 0.32% at June 30, 2000. As noted in the Allowance for Possible Loan Losses table, net charge-offs as a percent of total indirect automobile loans decreased to 0.42% in the first half of 2001 compared to 0.45% in the first half of 2000. These ratios continue to be below standard industry ratios for this type of loan category. Due to the current economic and competitive environment surrounding this portfolio, management continues to reduce the level of new loans originated and is dedicating additional resources to reduce the level of delinquencies.

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 June 30, 2001 and December 31, 2000 was approximately \$12.4 million and \$11.9 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.

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 results of operations and financial 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, specialty finance or fee related 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 trust subsidiary is expected to continue in a start-up phase during 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 inherent 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 Unforeseen future events that may cause slower than anticipated development and growth of the Tricom business or changes in the temporary staffing industry.
- o The Company may not identify attractive opportunities to expand in the future through acquisitions of other community banks, specialty finance companies or fee-based businesses or may have difficulty negotiating potential acquisitions on terms considered acceptable to the Company.
- 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 June 30, 2001, the Company had \$325 million notional principal amount of interest rate cap contracts that mature between July 2001 and January 2003. These contracts, which have various strike rates measured against the 91-day treasury bill rate, were purchased to mitigate the effect of rising rates on certain of its floating rate deposit products and fixed rate loan products. During 2001, the Company also entered into certain covered call option transactions related to certain securities in the Company's available-for-sale portfolio. These transactions were designed to increase the total return associated with holding these securities. There were no covered-call options outstanding at June 30, 2001. In March 2001, the Company entered into an interest rate swap contract with a notional value of \$25 million and a term of three years to effectively covert \$25 million of its floating rate note payable to a fixed rate instrument on a hedged-adjusted basis. 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 The Company is a party to financial instruments with off-balance sheet risk that are entered into 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 were 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 interest 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 June 30, 2001.

	TIME TO MATURITY OR REPRICING				
	0-90 DAYS ----	91-365 DAYS ----	1-5 YEARS -----	5+ YEARS & OTHER -----	TOTAL -----
	(DOLLARS IN THOUSANDS)				
ASSETS:					
Loans, net of unearned income.....	\$ 907,499	\$ 386,488	\$ 454,142	\$ 58,177	\$ 1,806,306
Securities.....	71,955	31,524	40,934	35,445	179,858
Interest-bearing bank deposits.....	60	--	--	--	60
Federal funds sold.....	162,845	--	--	--	162,845
Other.....	--	--	--	173,014	173,014
	-----	-----	-----	-----	-----
Total rate sensitive assets	1,142,359	418,012	495,076	266,636	2,322,083
	=====	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY:					
NOW.....	193,752	--	--	--	193,752
Savings and money market.....	401,459	--	--	--	401,459
Time deposits.....	479,797	584,880	189,289	754	1,254,720
Short term borrowings.....	15,217	--	--	--	15,217
Notes payable.....	--	--	25,000	--	25,000
Demand deposits & other liabilities.....	--	--	--	247,916	247,916
Trust preferred securities.....	--	--	--	51,050	51,050
Shareholders' equity.....	--	--	--	132,969	132,969
	-----	-----	-----	-----	-----
Total rate sensitive liabilities and equity	\$ 1,090,225	\$ 584,880	\$ 214,289	\$ 432,689	\$ 2,322,083
	=====	=====	=====	=====	=====
Cumulative:					
Rate sensitive assets (RSA)	\$ 1,142,359	\$ 1,560,371	\$ 2,055,447	\$ 2,322,083	
Rate sensitive liabilities (RSL)	1,090,225	1,675,105	1,889,394	2,322,083	
	-----	-----	-----	-----	
Cumulative gap (GAP = RSA - RSL)	\$ 52,134	\$ (114,734)	\$ 166,053	--	
	=====	=====	=====	=====	
RSA/RSL.....	1.05	0.93	1.09		
RSA/Total assets.....	0.49	0.67	0.89		
RSL/Total assets	0.47	0.72	0.81		
GAP/Total assets	2%	(5)%	7%		
GAP/ RSA	5%	(7)%	8%		

The GAP amount and related ratios do not reflect \$325 million notional amount of interest rate caps, as discussed on the following page. The effect of the \$25 million interest rate swap is reflected in the amounts and ratios in the above table.

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 June 30, 2001, the Company had \$325 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 18 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 positive in that the level of rate sensitive assets that reprice within one year exceeds 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 June 30, 2001 and 2000, is as follows:

AS OF JUNE 30, 2001		
	+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....	4.7%	(7.0%)
	=====	=====
AS OF JUNE 30, 2000		
	+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....	1.8%	(0.5%)
	=====	=====

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.

(a) The Annual Meeting of Shareholders was held on May 24, 2001.

(c) At the Annual Meeting of Shareholders, the following matters were submitted to a vote of the shareholders:

(1) The election of eight Class II directors to the Board of Directors to hold office for a three-year term.

Director -----	Votes For -----	Withheld Authority -----
Bruce K. Crowther	7,127,497	304,605
Bert A. Getz, Jr.	7,165,695	266,407
William C. Graft	7,184,367	247,735
Marguerite Savard McKenna	7,229,452	202,650
Albin F. Moschner	7,183,967	248,135
Christopher J. Perry	7,230,567	201,535
Ingrid S. Stafford	7,178,352	253,750
Katharine V. Sylvester	7,177,952	254,150

(2) To consider a proposal to approve the Wintrust Financial Corporation Directors Deferred Fee and Stock Plan.

Votes For -----	Votes Against -----	Abstentions -----
6,823,971	515,556	39,073

ITEM 5: OTHER INFORMATION.

None.

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

(a) Exhibits (Items marked with a "*" denote management contracts or compensatory plans or arrangements)

- 3.1 Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).
- 3.2 Statement of Resolution Establishing Series of Junior Serial Preferred Stock A of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.2 of the Company's Form 10-K for the year ended December 31, 1998).
- 3.3 Amended By-laws of Wintrust Financial Corporation (incorporated by reference to Exhibit 3(i) of the Company's Form 10-Q for the quarter ended June 30, 1998).
- 4.1 Rights Agreement between Wintrust Financial Corporation and Illinois Stock Transfer Company, as Rights Agent, dated July 28, 1998 (incorporated by reference to Exhibit 4.1 of the Company's Form 8-A Registration Statement (No. 000-21923) filed with the Securities and Exchange Commission on August 28, 1998).
- 4.2 Certain instruments defining the rights of the holders of long-term debt of the Corporation and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis, have not been filed as Exhibits. The Corporation hereby agrees to furnish a copy of any of these agreements to the Commission upon request.
- 10.1 Wintrust Financial Corporation Directors Deferred Fee and Stock Plan (incorporated by reference to Appendix B of the Proxy Statement relating to the May 24, 2001 Annual Meeting of Shareholders of the Company.) *
- 10.2 Sixth Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle Bank National Association, dated as of June 1, 2001 (incorporated by reference to Exhibit 99.1 of the Company's Form S-3 Registrations Statement filed with the SEC on May 16, 2001.)

(b) Reports on Form 8-K.

A Form 8-K report as of April 20, 2001, was filed during the quarter and provided the Company's first quarter earnings released dated April 20, 2001 and letter to the Company's shareholders mailed in May 2001.

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: August 14, 2001

/s/ Edward J. Wehmer

President & Chief Executive Officer

Date: August 14, 2001

/s/ David A. Dykstra

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

Date: August 14, 2001

/s/ Barbara A. Kilian

Senior Vice President - Finance
(Principal Accounting Officer)

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