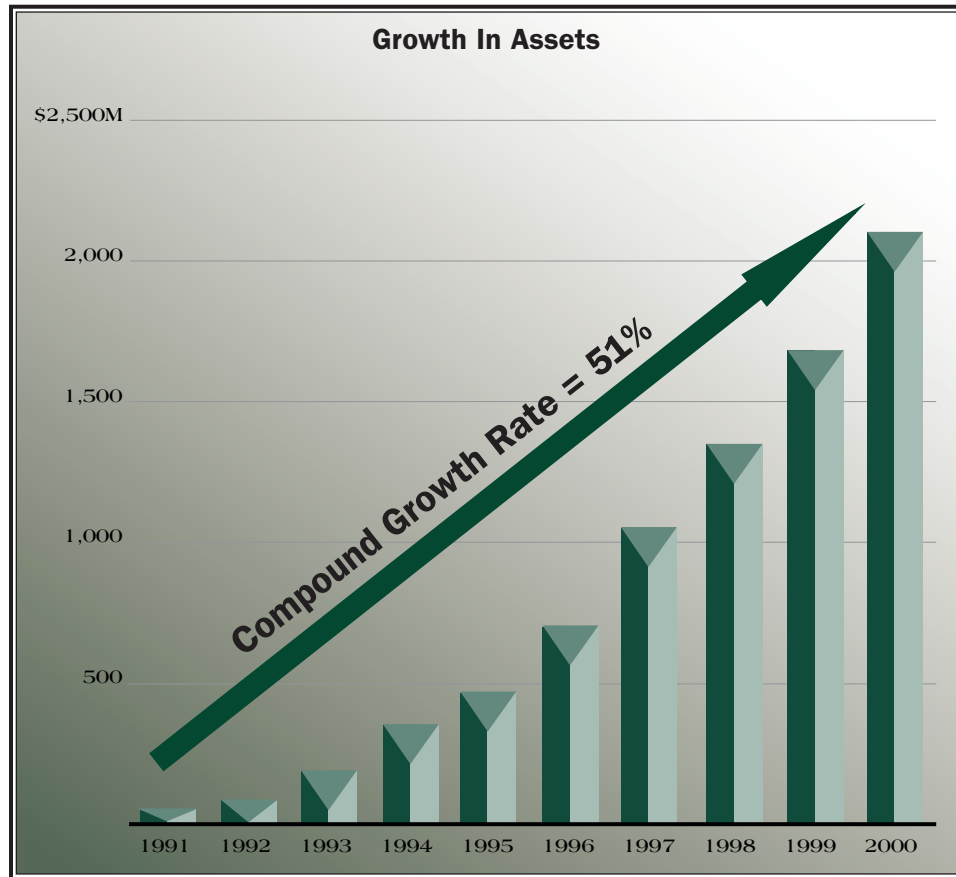
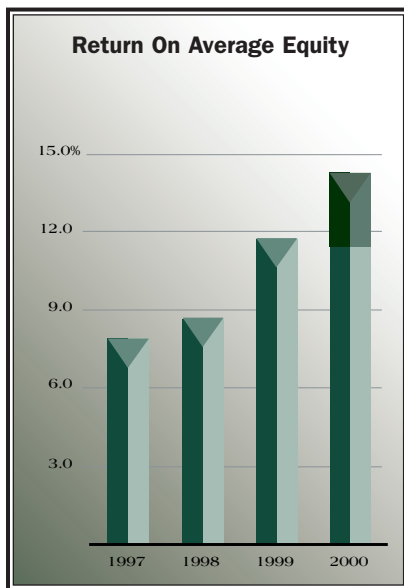
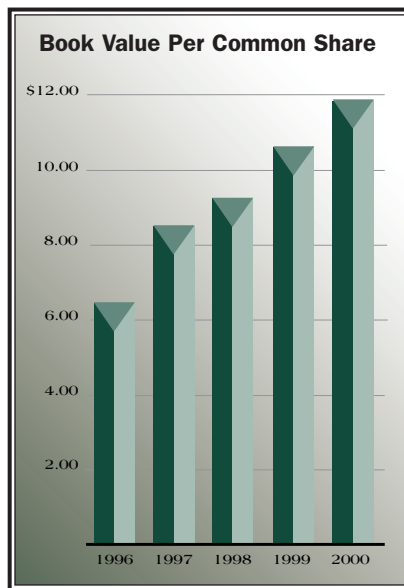
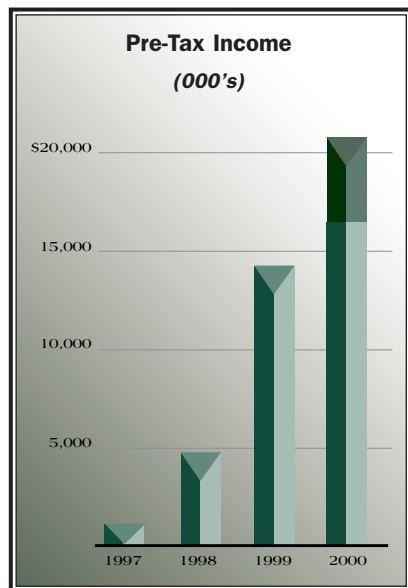
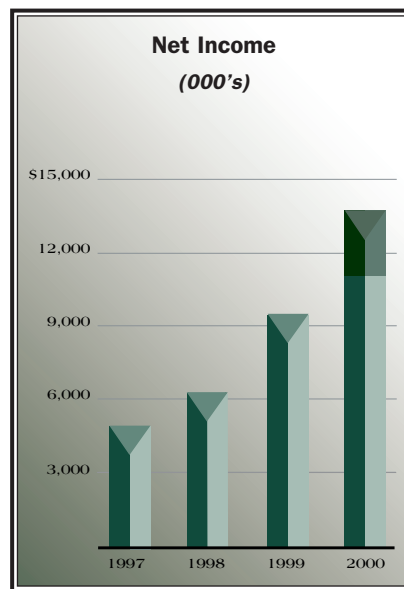
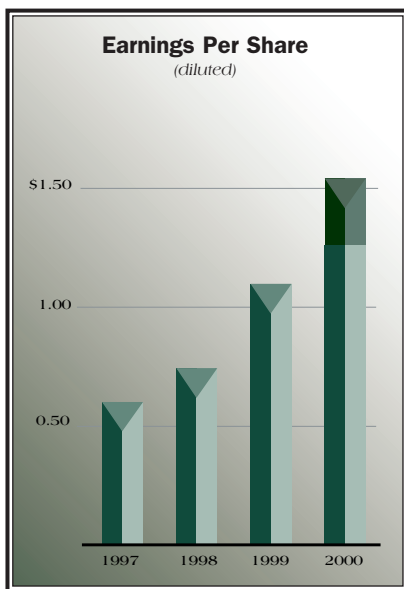
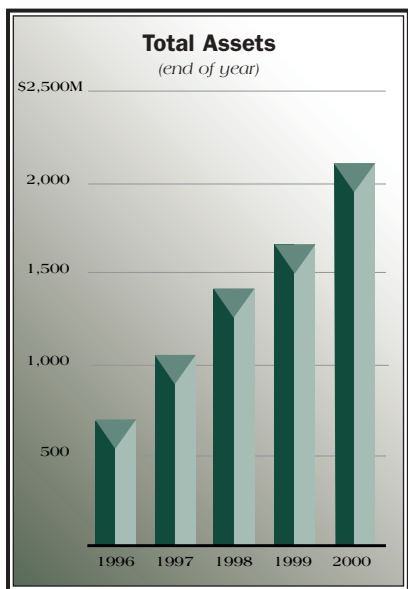



Sic Parvis Magna...Great Things From Small Beginnings



From our humble start in 1991, with one bank in a temporary facility and a vision of providing great community banking services, we have grown to over \$2.1 billion in nine short years...great things from small beginnings.

Our growth rates in earnings, revenue and deposits have also grown dramatically and well above our peer group. Please read the following pages for details of our growth and our Company.



 Effect of a non-recurring charge

Selected Financial Highlights

	Years Ended December 31,				
	2000	1999	1998	1997	1996
<i>(dollars in thousands, except per share data)</i>					
Selected Financial Condition Data					
(at end of year):					
Total assets	\$ 2,102,806	\$ 1,679,382	\$ 1,348,048	\$ 1,053,400	\$ 706,037
Total deposits	1,826,576	1,463,622	1,229,154	917,701	618,029
Total net loans	1,558,020	1,278,249	992,062	712,631	492,548
Notes payable	27,575	8,350	-	20,402	22,057
Long term debt - trust preferred securities	51,050	31,050	31,050	-	-
Total shareholders' equity	102,276	92,947	75,205	68,790	42,620
Selected Statements of Operations Data:					
Net interest income	\$ 61,000	\$ 47,734	\$ 36,764	\$ 26,772	\$ 14,882
Total net revenues	79,306	57,542	44,839	31,716	22,414
Income (loss) before income taxes	16,448	14,151	4,709	1,058	(2,283)
Net income (loss)	11,155	9,427	6,245	4,846	(973)
Net income (loss) per common share-basic	1.28	1.14	0.77	0.62	(0.16)
Net income (loss) per common share-diluted	1.25	1.10	0.74	0.60	(0.16)
Cash dividends declared per common share	0.10	-	-	-	-
Selected Financial Ratios and Other Data:					
<i>Performance Ratios:</i>					
Net interest margin	3.66%	3.54%	3.43%	3.41%	2.91%
Core net interest margin ⁽¹⁾	3.91	3.75	3.50	3.41	2.91
Net interest spread	3.29	3.23	3.00	2.92	2.40
Non-interest income to average assets	0.99	0.66	0.69	0.58	1.34
Non-interest expense to average assets	3.12	2.65	3.04	3.18	4.05
Net overhead ratio	2.13	2.00	2.36	2.60	2.71
Net overhead ratio - excluding fraud charge	1.90	2.00	2.36	2.60	2.71
Return on average assets	0.60	0.63	0.53	0.56	(0.17)
Return on average equity	11.51	11.58	8.68	7.88	(2.33)
Average total assets	\$ 1,853,582	\$ 1,496,566	\$ 1,177,745	\$ 858,084	\$ 562,244
Average shareholders' equity	96,918	81,381	71,906	61,504	41,728
Ending loan-to-deposit ratio	85.3%	87.3%	80.7%	77.7%	79.7%
Average-loan-to-average-deposit ratio	87.7	86.6	80.1	80.1	69.8
Average interest earning assets to average interest bearing liabilities	107.24	106.96	108.92	109.93	110.73
<i>Asset Quality Ratios:</i>					
Non-performing loans to total net loans	0.62%	0.54%	0.55%	0.59%	0.36%
Non-performing assets to total assets	0.46	0.41	0.45	0.40	0.25
Allowance for possible loan losses to:					
Total loans	0.67	0.69	0.71	0.72	0.74
Non-performing loans	107.75	126.10	129.66	121.64	204.15
<i>Common Share Data at end of year:</i>					
Market price per common share	\$ 15.94	\$ 15.25	\$ 19.63	\$ 17.00	\$ 14.75
Book value per common share	11.87	10.60	9.23	8.47	6.45
<i>Other Data at end of year:</i>					
Number of:					
Bank subsidiaries	7	6	6	6	5
Non-bank subsidiaries	3	3	2	1	1
Banking offices	28	24	21	17	14

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

To Our Fellow Shareholders,

Welcome to our fifth annual report. Overall, 2000 was a good year for Wintrust Financial Corporation. Growth in loans and deposits remained very strong, and core operating earnings continued to improve every quarter. With compound growth rates in assets and earnings that are much higher than the industry and with our *de novo* franchises maturing and generating even greater profitability, the future of Wintrust looks very bright indeed.

As we have done every year in this report, we'd like to start off by thanking all of our employees who went above and beyond in providing our customers with the best service around, bar none. And we'd like to thank our more than 100 directors of Wintrust Financial Corporation and our subsidiaries whose sage advice and local contacts have helped us profitably build our business. And we'd like to thank our customers, old and new, for entrusting us to manage and grow their financial assets.

And finally we'd like to thank our shareholders, for keeping us focused on what we do best—profitably growing our franchises by delivering our unique brand of superior customer service.

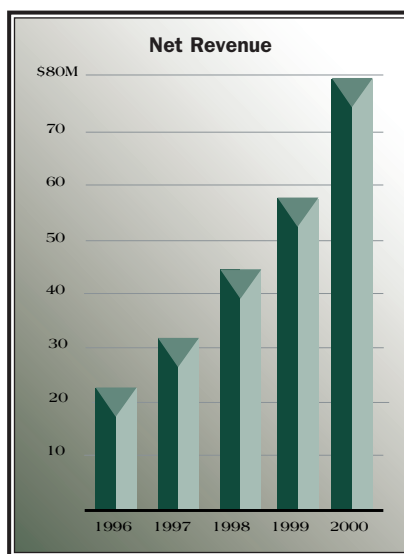
In our fourth full year as a corporation, we made terrific progress on all fronts. By balancing *de novo* growth and improved profitability, we have been able to achieve something that few banks around the country can boast about these days—compound growth rates in both earnings and assets that exceed our peer group by a large margin. Our core earnings are now growing very quickly as our *de novo* banks mature and we reap the benefits of becoming an asset-driven organization.

While many companies would have been satisfied with an 18% annual growth in net income, we are not. That's because our overall earnings performance was diminished by a sizeable business fraud to one of our non-bank subsidiaries. Without this after-tax charge of \$2.6 million, our net income would have been up 46% from the prior year. However, we still posted record profitability for the year, our run rate is very strong, and we continue to pursue various avenues of recovery of the loss.

We also continue to invest in growth for all parts of our business—our community banking operations via *de novo* expansion, our trust and investment business (Wintrust Asset Management), our premium finance business (First Insurance Funding), and our payroll funding and processing business for the temporary staffing industry (Tricom, Inc.). This investment in growth, while reducing

current earnings, will pay big dividends down the road in terms of even greater profitability for the Company.

As the chart below illustrates, Wintrust's compound growth rates for key measurement areas over the last five years are significant and outpace the banking industry sector. While some banks are successful in growing either earnings (by consolidating and shrinking operations) or assets (with significantly reduced earnings or lowered share price due to acquisition), very few have been able to simultaneously grow both earnings and assets at the levels we have.



	One year	Three year	Five year
Revenue growth	37.8%	35.7%	34.2%
Net income growth*	46.0%	41.6%	55.8%
Total assets growth	25.2%	25.9%	34.9%
Total loans growth	21.9%	29.8%	43.3%
Total deposits growth	24.8%	25.8%	35.1%

*excludes the non-recurring after-tax charge of \$2.6 million reported in 2000

We are very proud of the growth rates we have established and believe that this consistently strong growth validates our approach to community banking. In short, having terrific people who provide exceptional service with good products and competitive rates is still a simple recipe for success.

One of the reasons our earnings and balance sheet show consistent growth is the *de novo* growth strategy we have employed thus far in our history. Our *de novo* banks have generally produced approximately \$50 million of asset growth per year. This steady growth progression can be seen in all of our banks, from top to bottom. So it's not just the young Wintrust banks that are growing. We continue to grow our more "mature" banks as well through new branches and increased market

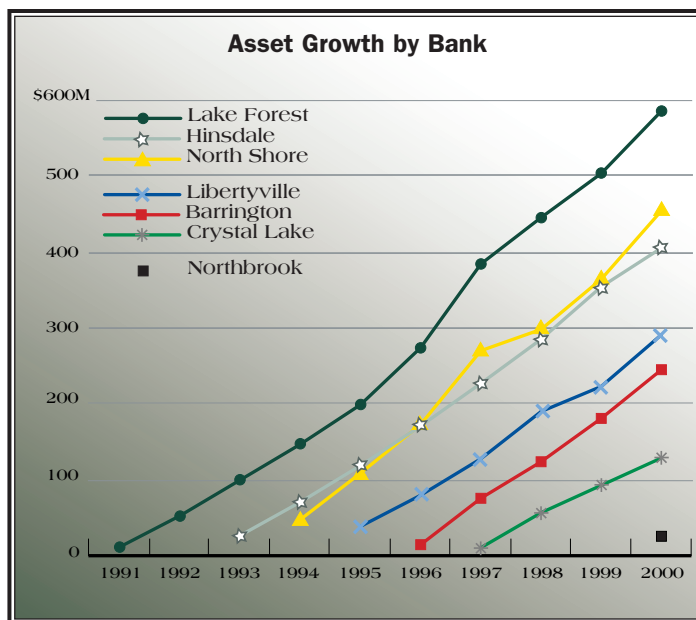
share in existing locations. This is a good indication of the sustainability of our growth through our community banking strategy.

With that growth comes continued improvement in overall profitability because we more effectively utilize the infrastructure established for each *de novo* bank. For example, in the fourth quarter of 2000, the return on average assets (ROA) of each of our subsidiary banks was as follows:

Bank	Year Est.	ROA
Lake Forest Bank & Trust	1991	1.4%
Hinsdale Bank & Trust	1993	1.5%
North Shore Community Bank & Trust	1994	0.9%
Libertyville Bank & Trust	1995	0.7%
Barrington Bank & Trust	1996	0.7%
Crystal Lake Bank & Trust	1997	0.3%
Northbrook Bank & Trust	2000	NM

As can be seen above, the profitability of our banks increases with maturity. Because we use the same general "recipe" for starting and growing each of our banks, we think that the younger banks should achieve increased profitability as they mature. Certainly the "seeding" of these younger *de novo* banks and branches into our community bank portfolio reduces current earnings. But long term, as they mature, future profitability will be greatly enhanced. We call this our "hidden earnings potential." And it also allows us to sustain above average growth rates relative to most banks.

Given the above growth rates, we truly believe that the current price/earnings ratio of about 10x the 2001 consensus earnings and 9x 2002's consensus earnings seems low. Although the ratios are close to the average for banks our size, the majority of the banks our size do not exhibit the growth rates shown above.



To get our story across, we will continue to promote the Company via investment conferences, media interviews, presentations to our market makers, and other means. We sincerely believe that demand for the stock (and hence, the stock price) will increase as our Company's story gains widespread publicity.

Please enjoy the next sections of our 2000 Annual Report, which highlight the following areas:

- Where We Have Come From
- Year In Review
- What's Happening At Our Operating Companies
- Where We Are Going
- Audited Consolidated Financial Statements and Notes
- Management's Discussion and Analysis of Financial Condition and Results of Operations
- Directors and Officers Listing
- Corporate Locations
- Corporate Information

We are grateful for your support of our organization and are enthusiastic about making the year 2001 an even better year in terms of growth in earnings and assets.

Thank you for being a shareholder.

Sincerely,

John S. Lillard

John S. Lillard
Chairman

Edward J. Wehmer

Edward J. Wehmer
President & CEO

Where We Have Come From

Community banking, Wintrust style, had its modest beginnings in Lake Forest, Illinois in 1991. Here are some excerpts from Lake Forest Bank & Trust's employee handbook that detail our humble start.

It Was Obvious. Local Residents and Businesses Needed a New, Old Bank

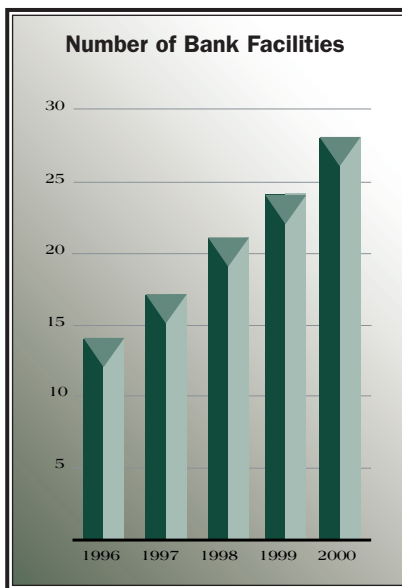
The idea of opening an old-fashioned community bank for Lake Forest began in early 1991. At that time, many of the banks had become owned and operated by giant corporations with headquarters in other cities, other states, even other countries. Lake Forest's branches of these megabanks had to satisfy big investors, pay lots of overhead and support long, expensive chains-of-command.

That meant that these banks were now charging fees for things that used to be free. They even started to charge for talking to a teller. Banking hours grew shorter. Major corporations and large "preferred" customers took priority over small businesses and most local folks. Policies were made for the good of the bank, not for the good of its customers.

Old-fashioned personal service had become more and more impersonal as it became more and more automated. The best employees, the ones you liked, were promoted to someplace else. Restrictions and rate structures were designed to accommodate huge areas of the globe instead of being in tune with the unique needs of a smaller community. Loan applications had a long way to travel for approvals. Everybody looked like strangers. You felt like a stranger yourself when you went

in to cash a check. And that's exactly how you were treated if you needed help—like a stranger.

The local neighborhood bank with friendly personal service had become a thing of the past.



Our Beginnings

At 7:00am, December 27, 1991, Lake Forest Bank & Trust Company, with her 12 employees, opened for business. Up until then, we wondered if the back to "community banking" concept would be accepted. It sure was! People sitting in half a dozen cars with their engines running couldn't wait to be our first depositors.

For the next month, we had lines waiting to open accounts. Since our space was so small, we sent our new customers next door to the Lake Forest Food & Wine Shop, bought them coffee and then brought them back into the bank, where we could give them our full attention and open their accounts. We processed new accounts until 9:00 or 10:00 each night. Wow, what a beginning! But, little did we know it was only the beginning.

It is important to remember that Wintrust Financial and its subsidiaries are extremely young—our seven community banks average less than five years of age—and that most of our growth has been generated on a *de novo* basis. Ten years ago none of our banks and other subsidiaries existed. Investing in *de novo* growth when you are a young, fledgling company with low (but growing) profitability takes courage. Courage on the

part of our management team, our directors, and most importantly, our shareholders.

*Thanks FOR A GREAT TIME,
LAKE FOREST!*

Lake Forest Bank would like to thank all our friends and neighbors who attended our Market North Carnival on June 17th. Judging from the hundreds of smiles and laughs, everyone had a great time!

Let's do this again next year. See you on June 16!

LAKE FOREST BANK & TRUST COMPANY

LAKE FOREST
3000 Lake Forest Road, Suite 100, Lake Forest, IL 60045
(708) 221-1000
3000 Lake Forest Road, Suite 100, Lake Forest, IL 60045
(708) 221-1000

WEST LAKE FOREST
1000 West Lake Forest Road, Suite 100, West Lake Forest, IL 60090
(708) 221-1000

LAKE BLUFF
1000 Lake Bluff Road, Suite 100, Lake Bluff, IL 60044
(847) 461-1000

WILSON
1000 Wilson Road, Suite 100, Wilson, IL 60181
(815) 221-1000

www.lakeforestbank.com

Wintrust has enjoyed unprecedented growth in assets and earnings due to our belief in and strict adherence to our operating philosophy and principles. These guiding strategies help our community banks and other subsidiaries effectively compete with the bigger banks and larger corporations who are our competition. These operating and growth principles are also our road map for long term growth in shareholder equity.

- Hire and retain the best people
- Provide the best customer service — bar none
- Open/operate *de novo* community banks in affluent markets where deposits per household leverage is high
- Manage each community bank locally with strong participatory boards, experienced local management and local decision making
- Be lean and responsive in our decision making and organizational structure
- Hire better, more highly qualified and productive individuals
- Build employee productivity and loyalty with stock incentives, options and a strong corporate culture
- Build customer bases and market share with aggressive (and entertaining!) marketing and loyalty building programs
- Utilize advanced technology to more effectively deliver current products and services and the internet as a new distribution vehicle and portal for marketing and distributing new products
- Be asset-driven (i.e. generate more loans than deposits) to augment our community banks' loan

portfolios and maximize our profitability and growth potential

- Take advantage of the operational and cross-marketing synergy provided by our diverse organizational structure
- Evaluate the acquisition of existing community banks in high opportunity markets and financial services firms to expand our portfolio of asset niches and fee revenues


We open and operate all of our community banks with this same entrepreneurial spirit, customer service focus and let's-take-on-the-big-banks attitude that was prevalent back in 1991 with the Lake Forest Bank & Trust staff. Even Northbrook Bank and Trust, our seventh and newest Wintrust bank, opened (November, 2000) in its humble, temporary location with this same spirit and attitude. And it is paying off as we grow our franchises at the expense of the big banks.

Since December 1991, we have successfully opened seven community banks and 29 banking facilities in affluent suburban communi-

ties around Chicago. All of these banks and branches have been introduced and grown on a *de novo* (from scratch) basis. And we have been able to grow most of these mature banks to the number one, two or three deposit share position in their respective market areas. Not bad from our humble beginnings almost ten years ago.

W

hy does Northbrook need another bank?



Artist's rendition of our permanent building scheduled to open in 2001 on the southwest corner of Waukegan and Shermer Road.

Because true hometown banking can benefit your family for generations.

Northbrook doesn't need just another bank. It needs Northbrook Bank & Trust Company. A true community bank that cares about every member of your family. One that you can count on to serve you for generations to come.

At Northbrook Bank & Trust, we strongly believe that a family's financial events should be as important to the bank as they are to the family. That's why we offer products and services specially created for all ages, from young children to older folks. And you can depend on us to bring you these customized products at the best possible rates and lowest fees around.

What's more, your new hometown bank will be a place where your entire family feels comfortable. You'll like our atmosphere. But most of all, you'll really like our friendly, professional staff. Because the people who work here are involved in the


community too. The people making important decisions with you about your financial future are people with decades of experience who are familiar with what the community needs in a bank. So when someone says, "May I help you," they really mean it.

When we open our doors, banking in Northbrook will change for the better. Our rates are extremely competitive, since we don't have the big expenses of our competitors. If you need a loan, the approval is made right here in the bank—not far off in a distant city. You never have to pay for using a teller, and as a customer, we never surcharge you for using our cash machine.


We're bringing true hometown banking back to Northbrook. We believe that everyone will benefit. That's why Northbrook needs another bank.

[Opening soon!]

We will be operating out of a temporary facility at 1340 Shermer until construction is completed on our new permanent, full-service facility located on the southwest corner of Shermer and Waukegan.



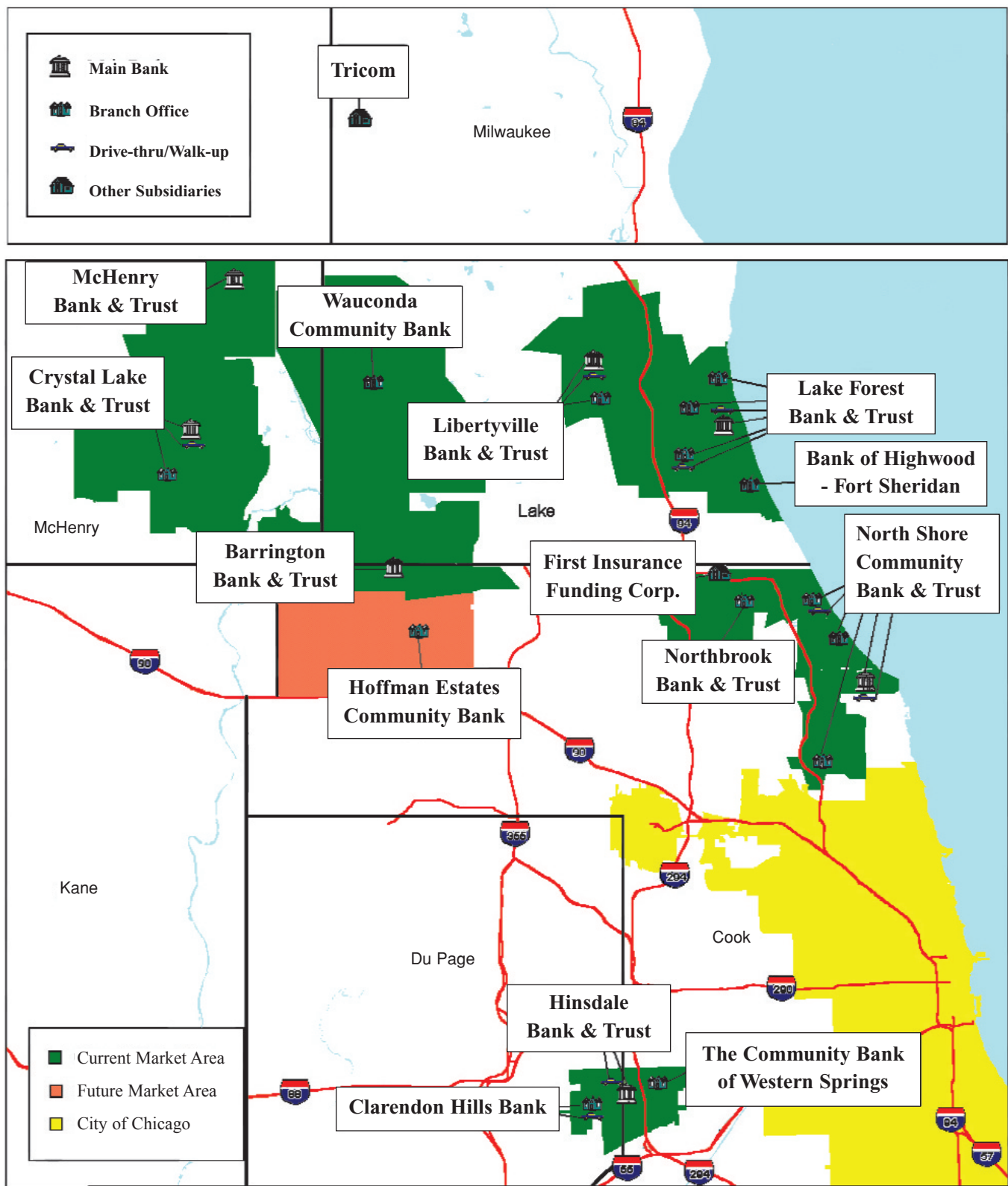
**NORTHBROOK BANK
& TRUST COMPANY**
1340 Shermer, Northbrook, Illinois 60062
847-418-2800



community banking
northbrookbank.com

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Wintrust Financial Corporation Locations



Year In Review

2000 Highlights

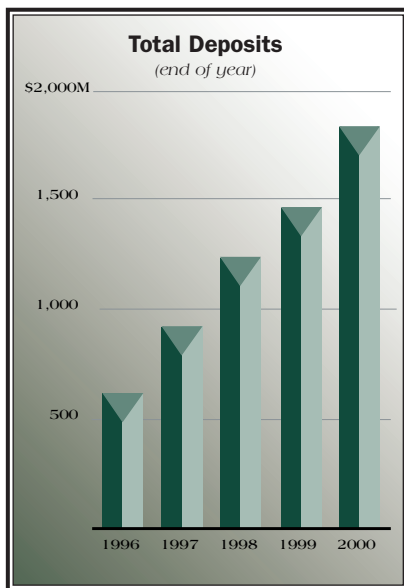
Wintrust had a terrific year. In addition to the accomplishments noted in the "To Our Fellow Shareholders" section, here is a short listing of some of your Company's other accomplishments in 2000:

- ✓ We achieved record earnings in 2000 and surpassed the \$2.1 billion asset level;
- ✓ Fourth quarter earnings increased 36% over the prior year quarter and reached \$3.8 million;
- ✓ In November, we opened our seventh *de novo* bank in Northbrook, Illinois. At the end of February 2001, it has already surpassed the \$40 million asset level. We also opened three other branch locations during 2000;
- ✓ Our asset quality remains strong, as the level of non-performing assets is very manageable;
- ✓ During 2000, all of our community banks reached record deposit and asset levels and improved upon their profitability;
- ✓ Wintrust Asset Management, our trust and investment subsidiary, increased its revenue level to \$2.0 million from \$1.2 million in 1999, an increase of 68%;
- ✓ First Insurance Funding had record growth in premium finance receivables volume. We now are one of the top five premium finance companies in the industry;
- ✓ Tricom, Inc. experienced record volume and earnings for the year and the transition of that acquisition went smoothly. 2000 was our first full year of ownership of Tricom and its results exceeded our expectations;

- ✓ Our return on average equity (excluding the one-time fraud charge) increased 23% for the year and stood at 14.2% for the year;

- ✓ The Company initiated its first ever dividend in 2000;

- ✓ The Company initiated and substantially completed a share repurchase program that took advantage of a stock market that seemingly was under-valuing our common stock;



Non-recurring fraud charge and its silver lining

Not all of our news in 2000 was good. On September 7, 2000 we announced that the Company would take a one-time charge of up to \$2.7 million to its third quarter earnings. We recorded that charge during the quarter. The charge was attributed to the discovery of a series of fraudulent loan transactions against the Company's premium finance subsidiary perpetrated by and isolated to one independent insurance agency located in Florida.

The Company took immediate steps to review and enhance its controls to mitigate such risks in the future. We have commenced legal action against the agency and related parties and are vigorously pursuing all avenues of recovery. At this time, no assurances can be given to the amount or timing of future recoveries, if any. Any recovery achieved will be recognized in the quarter it occurs.



While this loss impacted earnings, it did not slow down our momentum for the year. It does, however, make us even more diligent to ensure we avoid these kind of externally caused problems in the future. We are a stronger company because of the new systems and internal control procedures we have put in place and are even more determined to overcome this short-term set back.

Force equals mass times acceleration

Sir Isaac Newton, the renowned British physicist and mathematician, published his important "Newton's Second Law of Motion" in the late 1600's. Newton correctly identified that the acceleration of an object is directly proportional to the resultant force acting on it, or $F=ma$. Little did he know that this same law could be used to predict the success of a twenty-first century *de novo* community-banking corporation located in suburban Chicago, Illinois.

Taken literally, Wintrust's force is a product of its size times its acceleration. However, for our non-physicists shareholders, please allow us to translate. As Sir Isaac Newton correctly predicted more than three centuries ago, the force of Wintrust's future share value is directly proportional to our growing asset size (currently \$2.1 billion) and our accelerating earnings growth. Few banks these days are able to combine rapid *de novo* growth in asset size with sharply accelerating growth in earnings. This unique two-prong success story will be a key driver for Wintrust to grow its share price and realize a higher price/earnings multiple relative to our peers.

And 2000 was another "accelerating" year for Wintrust

We are truly pleased with the progress made in our core operations in 2000 and are confident we have significant momentum to carry us forward into the coming years. For the year ended December 31, 2000, the Company generated net income of \$13.8 million, excluding the non-recurring charge, compared to \$9.4 million for the same period year ago, a 46% increase. This equates to earnings per share on a fully diluted basis of \$1.54, up from \$1.10 in 1999. *Including the impact of the charge, net earnings for 2000 were \$11.2 million, or \$1.25 per diluted common share.*

Fourth quarter "run rate" indicates even greater earnings potential energy

As a young *de novo* bank group that is aggressively growing both assets and earnings, looking at our "total year" numbers can understate our true performance. If we were to annualize the fourth quarter's net income and earnings per share and project those out for a year, here's where we stand before any improvement in performance:

- Net after-tax income of \$15.3 million
- Diluted earnings per share of \$1.72

This would represent a 11% pro-forma increase in net income and a 12% pro-forma increase in earnings per share over core 2000 results, before any expected improvement. Most companies would be satisfied with those increases in year-over-year results, but we have plans and momentum to continue to grow the earnings at a higher rate. If we were to factor in growth, which is reasonable given our track record and the continued maturation of our young fran-


chise, we conclude that Wintrust Financial Corporation should have another impressive year in 2001.

Earning asset niches are an important key to our growth and profitability

The typical community bank can generate local consumer and small business loans that represent about 60% of their deposit base without compromising credit quality. That's because in most suburban communities, there are more consumer and small business deposit opportunities than there are loans.

We augment our community banks' loan portfolios with additional earning assets generated by our specialty finance niches. This not only allows us to improve the profitability of our community banks by optimizing their earning asset base, but also allows them to diversify

ANOTHER REASON TO SUPPORT HOMETOWN BANKING



DAVE COVERLY

"Yes, you're charged a fee for minimum balance, teller service and A.T.M. use—that's why we consider you a valued customer."

WOULDN'T YOU RATHER BE A VALUED CUSTOMER OF OURS?

At Libertyville Bank & Trust we value every customer relationship. And our customers value the many advantages that community banking can offer—like low minimum balance accounts, great rates and a relationship with a banker that they know. All this and more, without the hassles and nuisance fees of the big banks.

So if you're tired of paying to become a valued customer at your bank, visit Libertyville Bank & Trust and let us show you how we value our customers with no minimum balance checking accounts, our special rates for CDs and Home Equity Lines of Credit. Stop by or give us a call at 847-367-6800. We'd love to see you—at no charge!

LIBERTYVILLE BANK & TRUST COMPANY

Libertyville:
367 W. Milwaukee Avenue
847-367-6800
333 E. Wilson Street / Oak & Wilson Streets

Northbrook:
1100 N. Northbrook
847-367-6800
1100 E. Wilson Street / Oak & Wilson Streets

Northbrook:
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847-367-6800
1100 E. Wilson Street / Oak & Wilson Streets

their loan portfolios. Our ability to compete in the future will be materially aided by this asset strategy.

We generate additional loan volume from a number of specialty asset niches:

- Commercial premium finance lending
- Temporary staffing industry financing
- Indirect auto lending
- Equipment leasing
- Condominium and association lending
- Mortgage warehouse lending
- Small craft aviation lending

We are also investigating additional specialty lending areas either by *de novo* start-up or acquisition.

The benefits of being “asset driven”

In 2000, with the help of our growing earning asset niches, we again accomplished our objective of being an “asset driven” organization. Having an excess of loans is beneficial to the Company for a number of reasons. It allows us:

- To immediately invest new deposit dollars in loans which bear higher interest rates than alternative short-term investments.
- To diversify our asset mix into various different loan types, thereby reducing any concentration of credit risk.
- To be more aggressive in key markets where we want to increase market share because we are generating sufficient higher yielding assets to invest the new deposits.
- To increase revenues on excess loan volumes. In 2000, we sold approximately \$225 million of premium finance receivables to an unrelated financial institution at an after-tax gain of approximately \$2.3 million. We anticipate continuing this practice in the future as we balance growth and earnings. We should note that these assets are also profitable sources of interest income and to the extent we have the future liquidity, capital and opportunity to absorb these excess loan volumes, we will

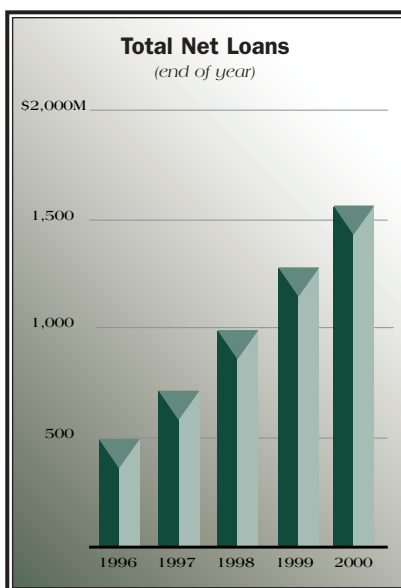
maintain such assets on our books at even higher profit levels.

Fee and other non-interest income is rising

In 2000, our non-interest income nearly doubled to \$18.3 million from \$9.8 million versus year ago. The growth in non-interest revenue is generated primarily from administrative service revenue at Tricom, trust and investment management fees, gains from the sale of premium finance loans and rental income from operating leases. We realize the importance of increasing non-interest revenue to diversify our income streams.

Performance versus goals

At Wintrust, we set aggressive goals and evaluate our performance versus those goals. Reaching these financial goals over the next few years will make our Company a high performing bank relative to its peers. We have made good progress towards achieving most of these goals and expect continued improvement as our young franchises— the *de novo* community banks, and our other subsidiaries, Wintrust Asset Management, First Insurance Funding and Tricom— mature. The following performance statistics indicate that we are making overall improvement in these areas. We have provided these statistics without the impact of the non-recurring fraud charge.



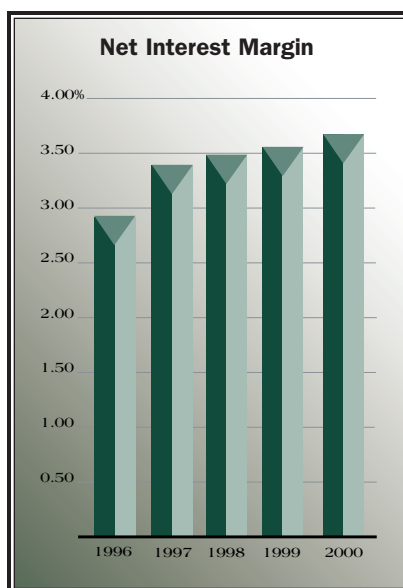
Performance Measurements

	Goal	Year ended	
		Dec. 31, 2000	Dec. 31, 1999
Core Net Interest Margin ⁽¹⁾	4 - 4.5%	3.91%	3.75%
Net Overhead Ratio	1.5 - 2%	1.90%	2.00%
Return on Average Equity	20 - 25%	14.20%	11.58%
Return on Average Assets	1.5%	0.74%	0.63%
Earnings per diluted common share		\$1.54	\$1.10
Non-Performing Assets as a percent of total assets		0.46%	0.41%

(1) By definition, our Core Net Interest Margin excludes the impact of interest expense associated with the Company's Trust Preferred Securities offerings.

Net Interest Margin

Core net interest margin has strengthened to almost 4% and our asset quality ratios remain relatively constant and manageable. While we have gradually improved our net interest margin over the last year, this continues to be our number one opportunity to increase earnings. Achieving our goal is primarily dependent upon controlling our funding costs and continuing to be a strong originator of a diversified loan portfolio.



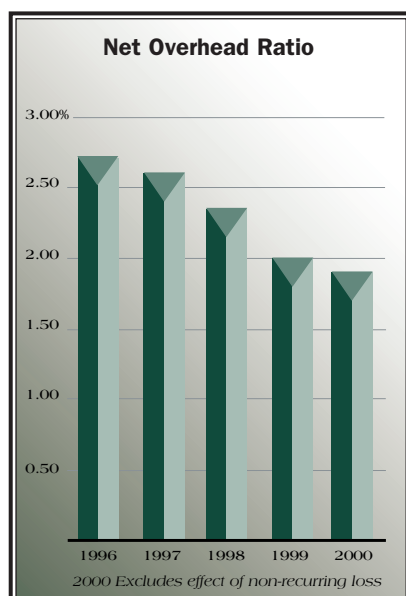
read about many other banks experiencing higher levels of problem loans, our conservative lending strategy is resulting in a low level of non-performing assets. In fact, less than 30 credits comprise the core non-performing loans total. The small number of such non-performing loans allows management to effectively monitor the status of these credits. Careful underwriting of loans and diversification of credit risks contributes to the low level of problem loans.

Net Overhead Ratio

Since the third quarter of 1999, we have attained our goal of operating at a net overhead ratio of less than 2% and expect further improvement in that area as we are able to more efficiently leverage our facilities and staff. This bodes well for the future as further maturation of our young franchises takes place.

Earnings Performance Measures

To get a true picture of our core performance versus goal, it is helpful to view our earnings performance measures excluding the non-recurring charge in the third quarter of this year. In doing so, return on average assets, return on average equity and earnings per diluted common share continued to improve over the last year.

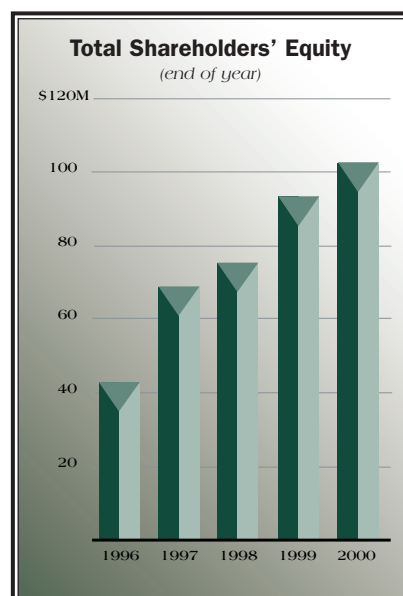


Asset Quality

Your management understands that maintaining good credit quality is extremely important to overall profitability. To that end, we are pleased to report that non-performing asset levels remain relatively low. While you

Buying back Wintrust stock while it is undervalued

As previously reported to you, the Board of Directors of the Company authorized the repurchase of 300,000 shares of Wintrust Financial Corporation common stock. Through the fourth quarter of this year, the Company has repurchased 242,300 shares at an average price of \$15.94 per share. We will continue to evaluate further repurchases from time-to-time.



Another dividend paid

During 2000, we paid two semi-annual dividends totaling \$0.10 per common share. That equated to roughly 10% of the prior year's earnings. Now that we have demonstrated consistent profitability levels, we are pleased to provide shareholders with a

modest dividend payment. However, we intend to continue to retain approximately 90% of our earnings to support the continued growth of our Company. Along those lines, the Board of Directors authorized an increase in the semi-annual dividend amount to \$0.07 per common share in 2001, or an annual rate of \$0.14 per common share.

What's Happening At Our Operating Companies

Our community banks

As the "elderly" member of the Wintrust family, Lake Forest Bank & Trust celebrated its ninth birthday in 2000. Not even a teenager yet, its total assets reached \$581 million, up 16% versus a year ago. This further strengthens our position as the number two bank in the market. The bank's newest facility, Bank of Highwood-Fort Sheridan, opened in early 2000 and is off to a great start. LFB&T now operates seven facilities in Lake Forest, West Lake Forest, Lake Bluff and Highwood.



LFB&T donation to a community organization

Hinsdale Bank & Trust enjoyed its seventh year of operation, while its Clarendon Hills branch (Clarendon Hills Bank) celebrated its fourth birthday and its Western Springs branch (The Community Bank of Western Springs) is now three years old. Total assets reached \$401 million, a 14% increase versus 1999. In total, the bank now operates five facilities including a drive-through ATM in downtown Clarendon Hills. In late 2001, we anticipate opening a new branch in another nearby community.

While it celebrated its sixth birthday, North Shore Community Bank & Trust reached \$450 million in total assets, up 25% from last year. The bank operates seven facilities in the affluent north shore markets of Wilmette, Winnetka, Glencoe and now Skokie. In 2001, a new Winnetka facility will be opened to replace the current branch whose location is less than ideal. We are also looking for a drive-thru location for Skokie.

Libertyville Bank & Trust, in its fifth year of operation, increased its assets by 31% to \$287 million. In 2000, LB&T introduced Wauconda Community Bank when it opened two facilities (a temporary main bank and a drive-thru) in this northwest community. We will soon be starting construction on a new permanent main bank and drive-thru facility on our property right across from the big bank competitor in town.

Barrington Bank & Trust continues to experience strong growth in only its fourth full year of operation. Total assets reached \$241 million, an increase of 36% versus a year ago. In addition to growing its core banking business, this bank enjoys growth from the development of its Community Advantage® condo and association lending program. BB&T is also planning to open its new Hoffman Estates Community Bank branch during the latter half of 2001. Construction on this new facility has already begun.



HB&T Junior Savers enjoying the 4th of July parade

Crystal Lake Bank & Trust turned the ripe old age of three in late 2000. Its assets reached \$125 million in 2000, up 39% versus a year ago. In February 2001, they opened a new branch in McHenry, Illinois under the name, McHenry Bank & Trust. This gives CLB&T a total of four facilities in the fast growing McHenry County area. Land has been purchased for a new main bank with an attached drive-thru facility.

Our newest "baby", Northbrook Bank & Trust, opened in November 2000. At the writing of this report, NB&T was off to a great start with assets over \$40 million! Not bad in only three months while operating out of a temporary

facility with no drive-thru location. NB&T recently received approval on their new permanent main bank facility with an attached drive-thru. Construction will start shortly with a grand opening scheduled for early 2002.

Wintrust Asset Management Company

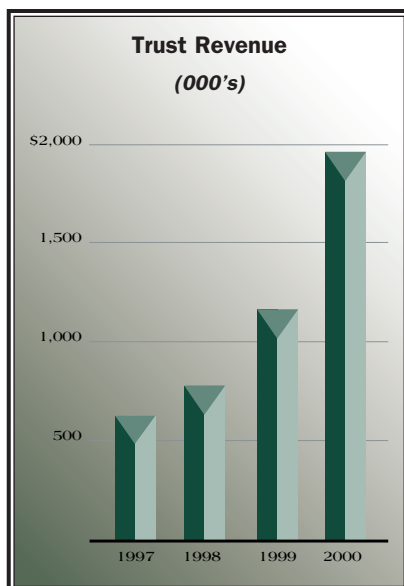
Wintrust Asset Management Company, our trust and investment subsidiary, continues to increase its revenue stream. For the year, Wintrust Asset Management generated approximately \$2.0 million in fee income versus approximately \$1.2 million of fee income during 1999. Revenue generated from our trust and investment activities is an important source of fee income that will help Wintrust diversify its revenue base.

In 2000, we updated our operational platform with state of the art investment software that allows us to process more customers, more efficiently. We also added additional qualified staff of experienced professionals. We are poised to move the business to a higher level of growth in assets under management.

We think we have a tremendous staff that will be able to provide strong growth into the future. Just like our banking strategy, we strive to give the best service available to our trust and investment clients. In most of our communities, we are the clear choice for clients with investment assets of \$500,000 to \$3,000,000 because we give more tailored service and products than our big bank competitors. Given the demographics of our banks' marketplaces, we look to trust and investment revenue to be an ongoing major source of non-interest income for the Company.

FIRST Insurance Funding Corp.

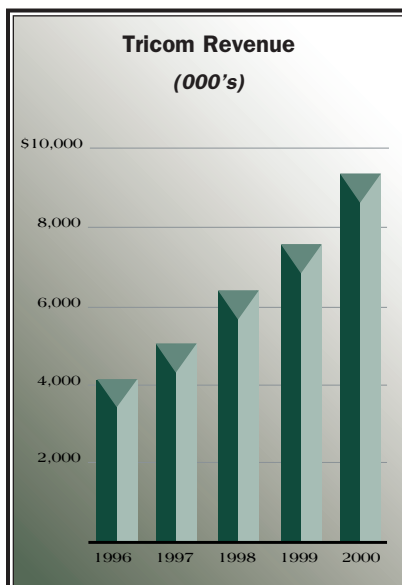
FIRST Insurance Funding Corp. had another very good year in the growth of its business. With approximately \$1.1 billion in volume for the year ending December 31, 2000, FIRST's volume grew by 56% over 1999 levels.



This level of production is comfortable for us to operate efficiently and effectively. Going forward, we anticipate continued volume increases in this business but at lower growth rates.

We are now focusing on delivering the best customer service in the industry and providing state of the art delivery to our customers. As such, we are being selective in the new business relationships that we establish and we are eliminating the less profitable relationships. We want to cement our reputation as the premier provider of high quality products with unmatched service in the premium finance industry.

We expect to improve FIRST's profitability in the future through additional investment in technology, automation, enhancement of credit quality techniques and the filtering out of the marginally profitable business. This business has been a key part of our asset generation strategy and has provided solid profitability to our Company since our inception.



Tricom, Inc.

Tricom had a very good year in 2000. During its first full year of operations in the Wintrust family, it contributed \$9.3 million of revenue to the Company. Tricom now processes payrolls with associated billings of approximately \$250 million. This was a record year for Tricom in terms of profitability and revenues. Also, as of year-end 2000, Tricom's outstanding receivable balances were 16% higher than the prior year-end balance. Their number of clients increased and they have successfully implemented an enhanced processing system that enhances customer service and will lead to greater operating efficiencies.

In sum, 2000 results for Tricom exceeded our expectations and we are pleased to have this high quality team as a part of our organization.

We augment this high touch event marketing with some very sophisticated database marketing capabilities. We have an in-house MCIF (Marketing Customer Information File) database that allows us to segment and target current customers (cross sell) and non-customers (acquisition) with very precise direct marketing programs. We also have some very efficient and speedy in-house production capabilities to get these mailings out the door. In the world of marketing, speed is a real asset, and we can certainly “out quick” big bank competition.

Considering we have started all of our banks to date on a *de novo* basis, we are proud of the marketing statistics we have achieved in our mature primary markets:

- #1 or #2 share position
- Deep household penetration—20-40%
- Strong checking penetration—two thirds of our retail customer households have their checking account at our banks
- Solid cross sell ratio—2.61 accounts/customer HH. That's pretty good considering the young age and *de novo* start of our banks
- Affluent customers with significantly higher balances versus average US households—e.g. 238% higher checking balances per household

Our long-term goal for a mature bank is 50% household penetration and 5.0 accounts per household. So, you can easily see that there is plenty of growth left in our existing markets.

***De novo* expansion**

We continue to selectively expand our current franchises into new high opportunity market areas. We have generally allocated about ten to fifteen cents per share to *de novo* growth. Depending on the opportunities available in the marketplace, we may deviate from that amount, but we believe that level of investment is prudent. Clearly, the additional market share garnered by this *de novo* expansion should add to future earnings growth and increased franchise value.

In 2000, we opened the following *de novo* banks and branches:



- Wauconda Community Bank (2 Locations)
- Bank of Highwood-Fort Sheridan
- Northbrook Bank & Trust

In February 2001 we also opened McHenry Bank & Trust. Construction has also started on Barrington Bank & Trust's new branch—Hoffman Estates Community Bank. Land has also been purchased for a new branch of Libertyville Bank & Trust. We are also evaluating locations for an additional branch of Hinsdale Bank & Trust.

***Non de novo* expansion**

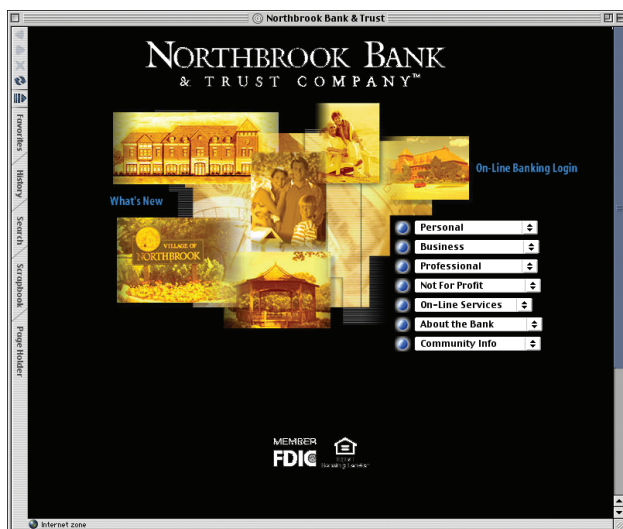
As our stock price rises and our “currency” becomes more valuable, acquisitions become a more viable avenue for future growth and enhanced shareholder value. We continue to be approached by Chicagoland community banks with the goal of partnering with us by merging their community-based bank or branches into the Wintrust family of banks. Wintrust is a logical partner for many smaller community banks because of the liquidity and value-added operational benefits we could bring, and the fact that we would allow the bank to continue to operate locally with their own name and management team.

Your management team and Board of Directors are dedicated to being disciplined with regard to pricing potential acquisitions to be accretive to earnings per share. We will keep evaluating potential acquisitions and will update you regularly on our progress.

We also continue to look to add earning asset niche or fee generation businesses, either as *de novo* operations or through acquisition. This type of growth will add diversified earning asset and fee-based business niches to supplement Wintrust's banking revenues.

.community banking™, Wintrust style

In April 2000, we launched new community bank web sites and a number of on-line financial services, including on-line banking, bill pay and investment portfolio review (accessing your Wintrust Asset Management portfolio). These new web sites and their corresponding on-line financial and community services, called **.community banking™** are among the most sophisticated offered by any community bank and rival what many of the big banks offer. We have received a lot of positive feedback on these sites and services and currently have between 7-12% of our banks' customer households signed up for on-line banking.



In February 2001 we introduced a series of enhancements to our on-line financial services including:

- 24 Hour Availability
- Wireless Access—access on-line banking via cell phone or other hand held devices
- Key Sites—securely store important Internet links and associated User ID's and passwords

We also are planning to launch some additional new online financial services in 2001. These include:

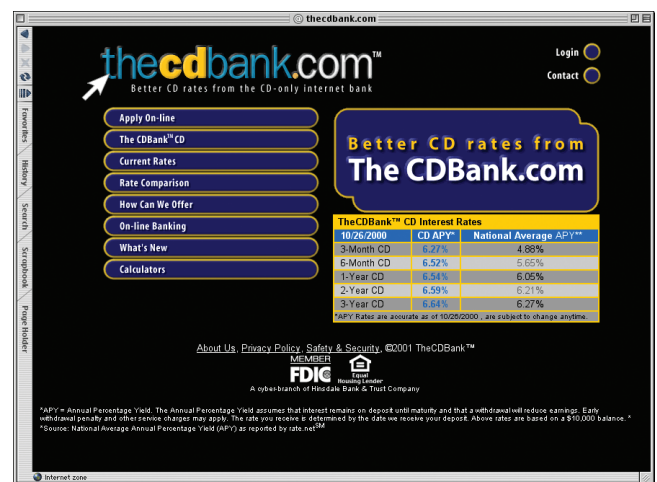
- Check Register—which allows users to better manage payments, help reconcile these items with their bank statements,
- On-line Mortgage Application—which allows users to easily enter their home loan application data on-line and provide quick on-line approval,

- On-line Brokerage—which allows users to buy and sell stocks, bonds and mutual funds at rates competitive with national discount brokers.

Bring it home to your community bank

With the technology available today, community banks like ours can provide on-line services every bit as sophisticated as the big banks. The introduction of On-line Brokerage, will allow us to offer all of the key on-line financial services that most consumers want—on-line banking, bill pay and discount brokerage. And since our customer base would appreciate being able to conduct their financial business with one provider—their local community bank—the benefits of a full service on-line offering is obvious.

So if your local, community bank can now provide a full array of on-line financial and investment services, who would you rather do business with? An uncaring, fee-driven big bank? An inflexible and expensive brokerage firm? Some cyberspace stranger that just wants your money? Or your friendly, neighborly (and now high tech) community bank that has the sophisticated on-line financial services you need?



TheCDBank.com, our new internet-only bank

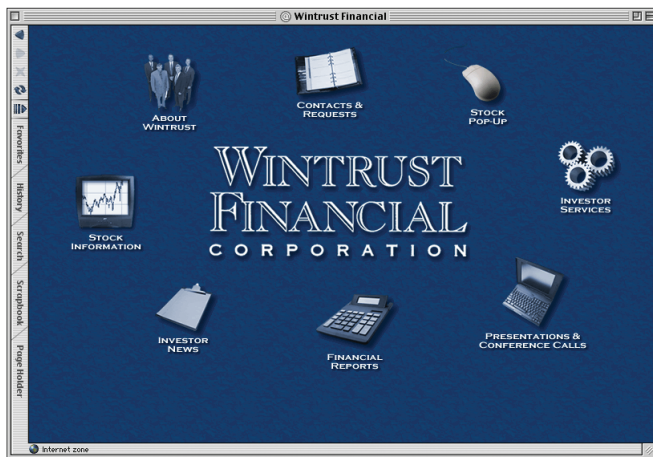
We will also soon be launching our new internet initiative—TheCDBank™. Given that the primary purpose of this internet-only bank is to quickly source CD deposits when we need to fund our excess loans, it makes strategic sense to position this new bank around the primary

product it will sell—CDs. This positioning separates us from the general internet banks and gives us a powerful reason for being—we are the internet bank that focuses on CDs and delivers the best CD prices and service. Initially, this bank will be a cyber-branch of Hinsdale Bank & Trust. However, as it grows in size, we may elect to capitalize it and make TheCDBank a separate bank. Check us out soon at www.thecdbank.com.

Recent stock price performance

While we recognize that we cannot control the movements of the stock market, we can continue to execute a strategy designed to produce consistent growth in earnings, revenues and assets. Such results will be rewarded in due course.

We are pleased that at the date of this writing (March 15, 2001) the stock price of Wintrust stood at \$18.63 per share, or 25% higher than a year earlier. By contrast the Nasdaq Bank Index was up 33% and the Nasdaq Composite Index was down 58%. We continue to believe that we can achieve further meaningful increases in share value as we continue to execute our strategy.



Investor relations program

In 2001 we are continuing our investor relations program which includes: presentations at investor conferences, providing interviews and story ideas to financial publications, distributing investor packages to interested investors through various programs, and making presentations to interested institutional buyers. We believe that communicating our story is important to creating

awareness about our Company and thereby creating demand for our stock.

We have also created a new investor relations web site complete with a new look and sophisticated navigation system and many new features, including authorizing Wintrust to automatically e-mail interested investors key reports and updates when they become available.

Five respected investment firms are writing research on Wintrust (that's a lot for a bank group of our size) and all are currently recommending the purchase of Wintrust common stock.

- Advest, Inc.
- Howe Barnes Investments, Inc.
- Keefe, Bruyette & Woods
- Stifel, Nicolaus & Company, Inc.
- U.S. Bancorp Piper Jaffray

Summary

In summary, we are pleased with the Company's significant growth for the year. This was a very good year in terms of executing our strategy of balancing growth in the balance sheet with growth in earnings. For the future, we are confident in our corporate strategy and believe we have strong momentum going into 2001. We are comfortable that we will be able to meet or exceed the analysts' consensus earnings estimates for 2001 of \$1.84 per share.

We are grateful for your support of our organization and are enthusiastic about making the year 2001 another good year in terms of growth in earnings and assets.

Special offer to our shareholders

If you are not a customer of one of our fine community banks, stop in and the bank president will be glad to give you the "deluxe" VIP tour, and if you like, personally open accounts for you and your family. We think it is important that shareholders are customers. That way they can make sure we keep delivering on our community banking promise to offer the best customer service around, bar none.

« ANOTHER REASON TO SUPPORT HOMETOWN BANKING »

DOES YOUR BIG BANK HAVE YOU FUMBLING FOR CHANGE?



There once was a time without toll ways or tollbooths. Now they are a regular part of our lives. Each day we dig beneath the seats for the proper change and think nothing of it. But did you ever think you'd be digging for change when visiting your bank?

Essentially, that's what you're doing every time you visit a big bank. First, it's the additional fees for everyday services like teller visits and ATM uses. Then it's the standardizing of accounts that limit your banking options and require you to pay more fees. Bit by bit, the banks are asking you to make concessions to personal service and common sense.

All the while, Hinsdale Bank & Trust has remained committed to providing friendly service and terrific products to our neighbors, with no plans for change. Instead of burdening you with unnecessary fees or frustrations, we provide custom-designed accounts suited to meet your needs. For example, our **Hinsdale Account™** offers great benefits like:

- FREE NOW Checking Account – no minimum balance and no monthly service charges.¹ Plus, your first 200 checks are free,
- Guaranteed Best Rate CD offer – we'll match any other locally published CD rate in town,
- Eligibility for a Home Equity Line of Credit with preferential rates and terms,²
- \$25 credit towards safe deposit box rental,³
- FREE, NO EXTRA ANNUAL FEE Visa debit card or Cash Station Card.

To receive all the benefits of this account, just open a NOW Account, and an additional CD, savings, or money market account with an initial deposit of \$3,000 or more.

If you're tired of paying the gatekeeper each time you want to visit a teller or transfer funds, why not pay us a visit instead.



HINSDALE BANK
& TRUST COMPANY®

(Main Bank) 25 East First Street | 630-323-4404 | Mon-Fri 8:30am-5:30pm, Sat 8:30am-2pm
(Drive-Thru) 130 West Chestnut Street | Mon-Fri 7am-7pm, Sat 7am-3pm



¹Penalty fees, such as overdraft charges and fees for special services may apply. ²Please contact the bank for disclosure on this product. ³Limited number of boxes available.

Member FDIC
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Consolidated Financial Statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CONDITION

(In thousands, except share data)

	December 31,	
	2000	1999
Assets		
Cash and due from banks	\$ 65,413	53,066
Federal funds sold and securities purchased under resale agreements	164,641	28,231
Interest bearing deposits with banks	182	2,547
Available-for-sale securities, at fair value	193,105	205,795
Loans, net of unearned income	1,558,020	1,278,249
Less: Allowance for possible loan losses	10,433	8,783
Net loans	1,547,587	1,269,466
Premises and equipment, net	86,386	72,851
Accrued interest receivable and other assets	34,722	35,943
Goodwill and other intangible assets, net of accumulated amortization of \$1,233 in 2000 and \$520 in 1999	10,770	11,483
Total assets	\$ 2,102,806	1,679,382
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	\$ 198,319	154,034
Interest bearing	1,628,257	1,309,588
Total deposits	1,826,576	1,463,622
Short-term borrowings	43,639	59,843
Notes payable	27,575	8,350
Long-term debt - trust preferred securities	51,050	31,050
Accrued interest payable and other liabilities	51,690	23,570
Total liabilities	2,000,530	1,586,435
Shareholders' equity:		
Preferred stock, no par value; 20,000,000 shares authorized, of which 100,000 shares are designated as Junior Serial Preferred Stock A; no shares issued and outstanding at December 31, 2000 and 1999	-	-
Common stock, no par value; \$1.00 stated value; 30,000,000 shares authorized; 8,856,695 and 8,770,805 issued at December 31, 2000 and 1999, respectively	8,857	8,771
Surplus	83,710	82,792
Common stock warrants	100	100
Treasury stock, at cost; 242,300 shares at December 31, 2000	(3,863)	-
Retained earnings	13,835	3,555
Accumulated other comprehensive loss	(363)	(2,271)
Total shareholders' equity	102,276	92,947
Total liabilities and shareholders' equity	\$ 2,102,806	1,679,382

See accompanying notes to consolidated financial statements

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

	Years Ended December 31,		
	2000	1999	1998
Interest income			
Interest and fees on loans	\$ 130,910	97,270	75,369
Interest bearing deposits with banks	26	204	2,283
Federal funds sold	1,627	1,536	2,327
Securities	15,621	10,321	8,000
Total interest income	148,184	109,331	87,979
Interest expense			
Interest on deposits	78,670	56,026	49,069
Interest on short-term borrowings and notes payable	4,371	2,633	1,399
Interest on long-term debt - trust preferred securities	4,143	2,938	747
Total interest expense	87,184	61,597	51,215
Net interest income	61,000	47,734	36,764
Provision for possible loan losses	5,055	3,713	4,297
Net interest income after provision for possible loan losses	55,945	44,021	32,467
Non-interest income			
Fees on mortgage loans sold	2,911	3,206	5,569
Service charges on deposit accounts	1,936	1,562	1,065
Trust fees	1,971	1,171	788
Gain on sale of premium finance receivables	3,831	1,033	-
Administrative services revenue	4,402	996	-
Net available-for-sale securities gains (losses)	(40)	5	-
Other	3,295	1,835	653
Total non-interest income	18,306	9,808	8,075
Non-interest expense			
Salaries and employee benefits	28,119	20,808	18,944
Equipment expense	5,101	3,199	2,221
Occupancy, net	4,252	2,991	2,435
Data processing	2,837	2,169	1,676
Advertising and marketing	1,309	1,402	1,612
Professional fees	1,681	1,203	1,654
Amortization of intangibles	713	251	120
Premium finance defalcation	4,320	-	-
Other	9,471	7,655	7,171
Total non-interest expense	57,803	39,678	35,833
Income before income taxes	16,448	14,151	4,709
Income tax expense (benefit)	5,293	4,724	(1,536)
Net income	\$ 11,155	9,427	6,245
Net income per common share - Basic	\$ 1.28	1.14	0.77
Net income per common share - Diluted	\$ 1.25	1.10	0.74

See accompanying notes to consolidated financial statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands, except share data)

	Compre- hensive income (loss)	Common stock	Surplus	Common stock warrants	Treasury stock	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total shareholders' equity
Balance at December 31, 1997		\$ 8,118	72,646	100	-	(12,117)	43	68,790
Comprehensive income:								
Net income	\$ 6,245	-	-	-	-	6,245	-	6,245
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(94)	-	-	-	-	-	(94)	(94)
Comprehensive income	6,151							
Common stock issued upon exercise of stock options		32	232	-	-	-	-	264
Balance at December 31, 1998		8,150	72,878	100	-	(5,872)	(51)	75,205
Comprehensive income:								
Net income	9,427	-	-	-	-	9,427	-	9,427
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(2,220)	-	-	-	-	-	(2,220)	(2,220)
Comprehensive Income	7,207							
Common stock issuance, net of costs		581	9,403	-	-	-	-	9,984
Common stock issued upon exercise of stock options		32	371	-	-	-	-	403
Common stock issued through employee stock purchase plan		8	140	-	-	-	-	148
Balance at December 31, 1999		8,771	82,792	100	-	3,555	(2,271)	92,947
Comprehensive income:								
Net income	11,155	-	-	-	-	11,155	-	11,155
Other comprehensive income, net of tax:								
Unrealized gains on securities, net of reclassification adjustment	1,908	-	-	-	-	-	1,908	1,908
Comprehensive income	\$ 13,063							
Cash dividends declared on common stock		-	-	-	-	(875)	-	(875)
Purchase of 242,300 shares of common stock		-	-	-	(3,863)	-	-	(3,863)
Common stock issued upon exercise of stock options		77	801	-	-	-	-	878
Common stock issued through employee stock purchase plan		9	117	-	-	-	-	126
Balance at December 31, 2000		\$ 8,857	83,710	100	(3,863)	13,835	(363)	102,276

See accompanying notes to consolidated financial statements

WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	2000	1999	1998
Operating Activities:			
Net income	\$ 11,155	9,427	6,245
Adjustments to reconcile net income to net cash used for, or provided by, operating activities:			
Provision for possible loan losses	5,055	3,713	4,297
Depreciation and amortization	6,619	4,246	2,952
Deferred income tax expense (benefit)	597	(835)	(1,961)
Net (accretion) amortization of securities	1,775	(490)	(340)
Originations of mortgage loans held for sale	(161,017)	(263,857)	(399,007)
Proceeds from sales of mortgage loans held for sale	158,716	273,765	390,528
Gain on sale of premium finance receivables	(3,831)	(1,033)	-
Purchase of trading securities	(2,940)	(5,558)	-
Proceeds from sale of trading securities	2,945	5,567	-
Gain on sale of trading securities	(5)	(9)	-
(Gain) loss on sale of Available-for-Sale securities	40	(5)	-
Loss on sale of premises and equipment, net	18	-	-
Increase in accrued interest receivable and other assets, net	(404)	(3,585)	(12,603)
Increase in accrued interest payable and other liabilities, net	28,120	5,580	1,625
Net Cash Provided by (Used for) Operating Activities	46,843	26,926	(8,264)
Investing Activities:			
Proceeds from maturities of Available-for-Sale securities	235,275	368,889	481,297
Proceeds from maturities of Held-to-Maturity securities	-	5,000	-
Proceeds from sales of Available-for-Sale securities	675,458	15,166	-
Purchases of Available-for-Sale securities	(896,922)	(383,723)	(588,296)
Proceeds from sales of premium finance receivables	229,277	68,875	-
Acquisition of Tricom, Inc. of Milwaukee, net of cash acquired	-	(4,227)	-
Net decrease in interest bearing deposits with banks	2,365	5,316	77,237
Net increase in loans	(506,321)	(346,778)	(273,918)
Purchases of premises and equipment, net	(19,459)	(17,217)	(15,459)
Net Cash Used for Investing Activities	(280,327)	(288,699)	(319,139)
Financing Activities:			
Increase in deposit accounts	362,954	234,468	311,453
Increase (decrease) in short-term borrowings, net	(16,204)	41,254	(35,493)
Increase (decrease) in notes payable, net	19,225	8,350	(20,402)
Proceeds from trust preferred securities offering	20,000	-	31,050
Issuance of common stock, net of issuance costs	-	5,984	-
Common stock issued upon exercise of stock options	878	403	264
Common stock issued through employee stock purchase plan	126	148	-
Purchase of common stock	(3,863)	-	-
Dividends paid	(875)	-	-
Net Cash Provided by Financing Activities	382,241	290,607	286,872
Net Increase (Decrease) in Cash and Cash Equivalents	148,757	28,834	(40,531)
Cash and Cash Equivalents at Beginning of Year	81,297	52,463	92,994
Cash and Cash Equivalents at End of Year	\$ 230,054	81,297	52,463
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 85,581	60,667	51,158
Income taxes	4,084	4,241	787
Acquisition of Tricom, Inc. of Milwaukee:			
Fair value of assets acquired	-	22,116	-
Goodwill recorded from acquisition	-	10,052	-
Fair value of liabilities assumed	-	23,941	-
Non-cash investing activities:			
Common stock issued for acquisition of Tricom, Inc. of Milwaukee	-	4,000	-
Transfer to other real estate owned from loans	-	-	587

See accompanying notes to consolidated financial statements

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Wintrust Financial Corporation and subsidiaries ("Wintrust" or "Company") conform to generally accepted accounting principles. In the preparation of the consolidated financial statements, management is required to make certain estimates and assumptions that affect the reported amounts contained in the consolidated financial statements. Management believes that the estimates made are reasonable; however, changes in estimates may be required if economic or other conditions change beyond management's expectations. Reclassifications of certain prior year amounts have been made to conform with the current year presentation. The following is a summary of the more significant accounting policies of the Company.

Description of the Business

Wintrust is a financial services holding company currently engaged in the business of providing community banking services, trust and investment services, commercial insurance premium financing, short-term accounts receivable financing, and certain administrative services, such as data processing of payrolls, billing and cash management services. Wintrust provides banking services to customers in the Chicago metropolitan area through its seven wholly-owned banking 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"). Wintrust provides trust and investment services at each of the Wintrust banks through Wintrust Asset Management Company, N.A. ("WAMC"). The Company provides financing for the payment of commercial insurance premiums ("premium finance receivables"), on a national basis, through First Insurance Funding Corp. ("FIFC"), a wholly-owned subsidiary of Crabtree Capital Corporation ("Crabtree"), which is a wholly-owned subsidiary of Lake Forest Bank. Tricom, Inc. ("Tricom"), a wholly-owned subsidiary of Hinsdale Bank, 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 service clients located throughout the United States.

Principles of Consolidation

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

Securities

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

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

Trading account securities are stated at fair value. Realized and unrealized gains and losses from sales and fair value adjustments are included in other non-interest income. The Company did not maintain any trading account securities at December 31, 2000 or 1999.

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

Loans and Allowance for Possible Loan Losses

Loans, which include lease financing, premium finance receivables and Tricom finance receivables, are recorded at the principal amount outstanding. Interest income is recognized when earned. Loan origination fees and certain direct origination costs associated with loans retained in the portfolio are deferred and amortized over

the expected life of the loan as an adjustment of yield using methods that approximate the effective interest method. Finance charges on premium finance receivables are earned over the term of the loan based on actual funds outstanding, beginning with the funding date, using a method which approximates the effective yield method.

Mortgage loans held for sale are carried at the lower of aggregate cost or market, after consideration of related loan sale commitments, if any. Fees received from the sale of these loans into the secondary market are included in non-interest income.

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

The allowance for possible loan losses is maintained at a level adequate to cover losses inherent in the portfolio. In estimating potential losses, the Company evaluates loans for impairment. A loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due. Impaired loans are generally considered by the Company to be commercial and commercial real estate loans that are non-accrual loans, restructured loans or loans with principal and/or interest at risk, even if the loan is current with all payments of principal and interest. Impairment is measured by estimating the fair value of the loan based on the present value of expected cash flows, the market price of the loan, or the fair value of the underlying collateral. If the estimated fair value of the loan is less than the recorded book value, a valuation allowance is established as a component of the allowance for possible loan losses.

Mortgage Servicing Rights

The Company originates mortgage loans for sale to the secondary market, the majority of which are sold without retaining servicing rights. There are certain loans, however, that are originated and sold to a governmental agency, with servicing rights retained. Mortgage servicing rights associated with loans originated and sold, where servicing is retained, are capitalized and included in other assets in the consolidated statements of condition. The Company capitalizes the rights to service these originated mortgage loans at the time of sale. The capi-

talized value of loan servicing rights is amortized in proportion to, and over the period of, estimated net future servicing revenue. Mortgage servicing rights are periodically evaluated for impairment. For purposes of measuring impairment, the servicing rights are stratified into pools based on loan type, interest rate and term. Impairment represents the excess of the remaining capitalized cost of a stratified pool over its fair value, and is recorded through a valuation allowance. The fair value of each servicing rights pool is evaluated based on the present value of estimated future cash flows using a discount rate commensurate with the risk associated with that pool, given current market conditions. Estimates of fair value include assumptions about prepayment speeds, interest rates and other factors which are subject to change over time. Changes in these underlying assumptions could cause the fair value of mortgage servicing rights, and the related valuation allowance, if any, to change significantly in the future.

Sales of Premium Finance Receivables

Gains on the sales of premium finance receivables are determined by the difference between the sales proceeds plus the allocated basis of the servicing right and interest only strip retained less the Company's recourse obligation compared to the carrying amount of the loan. The interest only strip represents the present value of estimated future cash flows resulting from the difference between the yield of the underlying loans sold and the rate due to the purchaser of the loans.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for major additions and improvements are capitalized, and maintenance and repairs are charged to expense as incurred.

Computer Software Development Costs

Salary costs related to the configuration and installation of new software and the modification of existing software that provides additional functionality are capitalized and amortized over periods of three to five years.

Other Real Estate Owned

Other real estate owned is comprised of real estate acquired in partial or full satisfaction of loans and is included in other assets at the lower of cost or fair market value less estimated selling costs. When the property is acquired through foreclosure, any excess of the related

loan balance over the adjusted fair market value less expected selling costs, is charged against the allowance for possible loan losses. Subsequent write-downs or gains and losses upon sale, if any, are charged to other non-interest expense.

Intangible Assets

Goodwill, representing the cost in excess of the fair value of net assets acquired, is primarily amortized on a straight-line basis over periods of fifteen to twenty years. The Company periodically evaluates the carrying value and remaining amortization period of intangible assets and other long-lived assets for impairment, and adjusts the carrying amounts, as appropriate.

Trust Preferred Securities Offering Costs

In connection with the Company's October 1998 and June 2000 offering of Cumulative Trust Preferred Securities ("Trust Preferred Securities"), approximately \$1.4 million and \$1.1 million, respectively, of offering costs were incurred, including underwriting fees, legal and professional fees, and other costs. These costs are included in other assets and are being amortized over a ten year period as an adjustment of interest expense using a method that approximates the effective interest method. See Note 10 for further information about the Trust Preferred Securities.

Trust Assets

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

Income Taxes

Wintrust and its subsidiaries file a consolidated Federal income tax return. The subsidiaries provide for income taxes on a separate return basis and remit to Wintrust amounts determined to be currently payable.

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

Advertising Costs

All advertising costs incurred by the Company are expensed in the period in which they are incurred.

Cash Equivalents

For purposes of the consolidated statements of cash flows, Wintrust considers cash on hand, cash items in the process of collection, non-interest bearing amounts due from correspondent banks, federal funds sold and securities purchased under resale agreements to be cash equivalents.

Earnings per Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of this entity.

Stock Option Plans

The Company follows the disclosure requirements of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), rather than the recognition provisions of SFAS No. 123, as allowed by the statement. The Company follows APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations in accounting for its stock option plans. Accordingly, no compensation cost has been recognized by the Company for its stock option plans as the exercise price is equal to the market value on the option grant date. Further disclosures are presented in Note 13.

Start-up Costs

In April 1998, AcSEC issued Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Costs of Start-up Activities", which requires that the unamortized portion of previously capitalized start-up costs be written-off as a cumulative effect of a change in accounting principle. Subsequent to adoption of SOP 98-5, start-up and organization costs must be expensed as incurred. In the first quarter of 1999, in accordance with SOP 98-5, the Company expensed approximately \$200,000 of remaining unamortized deferred organizational costs. This write-off, however, was not material to be presented as a cumulative effect of a change in accounting principle. Beginning in 1999, all start-up and organizational costs are being expensed as incurred.

Recent Accounting Pronouncements

Derivatives and Hedging Activities - In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138 in June 1999 and June 2000, respectively. These statements require that all derivative instruments be recorded in the statement of condition at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow, or foreign currency hedges, and establishes accounting standards for reporting changes in the fair value of the derivative instruments. Upon adoption, the Company will be required to adjust hedging instruments to fair value in the balance sheet and recognize the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income, as appropriate. The Company will adopt these statements as of January 1, 2001. The adoption will result in a \$254,000 charge, net of tax, from a cumulative effect of a change in accounting principle to be reported in the first quarter of 2001.

Transfers and Servicing of Financial Assets - In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," that replaces, in its entirety, SFAS No. 125. Although SFAS 140 has changed many of the rules regarding securitizations, it continues to require an entity to recognize the financial and servicing assets it controls and the liabilities it has incurred and to derecognize financial assets when control has been surrendered in accordance with the criteria provided in the Statement. As required, the Company will apply the new rules prospectively to transactions beginning in the second quarter of 2001. Since the Company does not currently securitize any of its financial assets, the application of the new rules will not have a material impact on its financial statements.

(2) Securities

A summary of the securities portfolio presenting carrying amounts and gross unrealized gains and losses as of December 31, 2000 and 1999 is as follows (in thousands):

	December 31, 2000				December 31, 1999			
	Amortized Cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale:								
U.S. Treasury	\$ 29,987	45	(45)	29,987	40,587	-	(1,416)	39,171
U.S. Government agencies	61,937	57	(123)	61,871	70,664	-	(480)	70,184
Municipal securities	5,020	130	(8)	5,142	4,046	-	(8)	4,038
Corporate notes and other	30,208	31	(1,042)	29,197	40,152	2	(1,129)	39,025
Mortgage-backed securities	54,182	239	(147)	54,274	46,613	-	(489)	46,124
Federal Reserve/FHLB stock and other equity securities	12,358	317	(41)	12,634	7,253	-	-	7,253
Total available-for-sale securities	\$ 193,692	819	(1,406)	193,105	209,315	2	(3,522)	205,795

The amortized cost and fair value of securities as of December 31, 2000 and 1999, by contractual maturity, are shown in the following table. Contractual maturities may differ from actual maturities as borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Mortgage-backed securities are not included in the maturity categories in the following maturity summary as actual maturities may differ from contractual maturities because the underlying mortgages may be called or prepaid without any penalties.

	December 31, 2000		December 31, 1999	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<i>(in thousands)</i>				
Available-for-sale securities:				
Due in one year or less	\$ 58,515	58,392	66,020	65,841
Due in one to five years	51,159	51,116	69,934	68,086
Due in five to ten years	4,579	4,707	5,949	5,904
Due after ten years	12,899	11,982	13,546	12,587
Mortgage-backed securities	54,182	54,274	46,613	46,124
Federal Reserve/FHLB stock and other equity securities	12,358	12,634	7,253	7,253
Total available-for-sale securities	\$ 193,692	193,105	209,315	205,795

In 2000 and 1999, the Company had gross realized gains on sales of available-for-sale securities of \$79,000 and \$19,000, respectively. During 2000 and 1999, gross realized losses on sales of available-for-sale securities totaled \$119,000 and \$14,000, respectively. There were no sales of available-for-sale securities in 1998. Proceeds from sales of available-for-sale securities during 2000 and 1999 were \$675,458,000 and \$15,166,000, respectively. At December 31, 2000 and 1999, securities having a carrying value of \$116,774,000 and \$139,185,000, respectively, were pledged as collateral for public deposits, trust deposits and securities sold under agreements to repurchase.

(3) Loans

A summary of the loan portfolio, including commercial lease financing receivables, at December 31, 2000 and 1999 is as follows (in thousands):

	2000	1999
Commercial and commercial real estate	\$ 647,947	485,776
Premium finance receivables	321,711	225,239
Indirect auto	203,572	255,434
Home equity	179,168	139,194
Residential real estate	141,919	111,026
Tricom finance receivables	20,354	17,577
Installment and other	51,995	49,925
Total loans	1,566,666	1,284,171
Less: Unearned income	8,646	5,922
Total loans, net of unearned income	\$ 1,558,020	1,278,249

Residential mortgage loans held for sale totaled \$10,424,000 and \$8,123,000 at December 31, 2000 and 1999, respectively.

Certain residential real estate and home equity loans with balances totaling approximately \$142.0 million and \$142.1 million, at December 31, 2000 and 1999, respectively, were pledged as collateral to secure the availability of borrowings from certain Federal agency banks.

Certain officers and directors of Wintrust and its subsidiaries and certain corporations and individuals related to such persons borrowed funds from the Banks. These loans, totaling \$30,499,000 and \$22,148,000 at December 31, 2000 and 1999, respectively, were made at sub-

stantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers.

(4) Allowance for Possible Loan Losses

A summary of the allowance for possible loan losses for the years ended December 31, 2000, 1999 and 1998 is as follows (in thousands):

	Year Ended December 31,		
	2000	1999	1998
Allowance at beginning of year	\$ 8,783	7,034	5,116
Provision	5,055	3,713	4,297
Acquired allowance for loan losses	-	175	-
Charge-offs	(3,756)	(2,449)	(2,737)
Recoveries	351	310	358
Allowance at end of year	\$10,433	8,783	7,034

At December 31, 2000, 1999 and 1998, non-accrual loans totaled \$4,329,000, \$4,338,000 and \$3,137,000, respectively. At December 31, 2000 and 1999, loans that were considered to be impaired totaled \$770,000 and \$1,768,000, respectively. At December 31, 2000 and 1999, impaired loans totaling \$214,000 and \$458,000, respectively, had allocated specific allowance for loan losses of approximately \$214,000 and \$125,000, at each year-end. The average balance of impaired loans during 2000, 1999 and 1998 was approximately \$1,212,000, \$1,295,000 and \$4,167,000, respectively. During 2000, 1999 and 1998, interest income recognized on impaired loans totaled approximately \$6,000, \$14,000 and \$155,000, respectively. Management evaluated the

value of the impaired loans primarily by using the fair value of the collateral. During 2000, 1999 and 1998, the effect of non-performing loans reduced interest income by approximately \$111,000, \$100,000 and \$197,000, respectively.

(5) Mortgage Servicing Rights

The remaining principal balance of mortgage loans serviced for others, which are not included in the Consolidated Statements of Condition, totaled \$97.2 million and \$87.1 million at December 31, 2000 and 1999, respectively. The following is a summary of the changes in mortgage servicing rights for the years ended December 31, 2000 and 1999 (in thousands):

	Year Ended December 31,	
	2000	1999
Balance at beginning of year	\$ 648	715
Servicing rights capitalized	146	214
Amortization of servicing rights	(161)	(281)
Valuation allowance	-	-
Balance at end of year	\$ 633	648

At December 31, 2000 and 1999, the aggregate fair value of mortgage servicing rights was \$895,000 and \$793,000, respectively. Fair values are determined by discounting anticipated future net cash flows from servicing activities considering market consensus loan prepayment speeds, interest rates, servicing costs and other economic factors.

(6) Premises and Equipment, Net

A summary of premises and equipment at December 31, 2000 and 1999 is as follows (in thousands):

	2000	1999
Land	\$ 15,294	10,606
Buildings and improvements	57,015	50,591
Furniture, equipment and computer software	22,911	19,244
Equipment under leasing contracts	5,278	2,704
Construction in progress	1,418	1,437
	101,916	84,582
Less: Accumulated depreciation and amortization	15,530	11,731
Premises and equipment, net	\$ 86,386	72,851

Equipment under leasing contracts represents the Company's investment in equipment leased to others under operating lease agreements. The portfolio consists of various types of equipment including medical, technological and machine tools.

(7) Time Deposits

Certificates of deposit in amounts of \$100,000 or more approximated \$564,747,000 and \$432,982,000, respectively, at December 31, 2000 and 1999. Interest expense related to these deposits approximated \$20,993,000, \$14,365,000 and \$12,003,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

(8) Short-term Borrowings

At December 31, 2000, short-term borrowings totaled \$43,639,000 and was comprised entirely of securities sold under agreements to repurchase. At December 31, 1999, short-term borrowings totaled \$59,843,000 and was comprised of \$54,277,000 of securities sold under agreements to repurchase, \$5,000,000 of federal funds purchased and \$566,000 of other short-term borrowings. As of December 31, 2000 and 1999, the weighted average borrowing rate was 4.35% and 5.65%, respectively.

(9) Notes Payable

The notes payable balances of \$27,575,000 at December 31, 2000 and \$8,350,000 at December 31, 1999 represent the balances on a revolving credit line agreement ("Agreement") with an unaffiliated bank. Currently, the total amount of the revolving credit line is \$40 million and interest is calculated at a floating rate equal to, at the Company's option, either the lender's prime rate or LIBOR plus 1.25%. The maturity date is August 30, 2001. The Agreement is secured by the stock of all Banks, except Northbrook Bank, and contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. This Agreement may be utilized, as needed, to provide capital to fund continued growth at its existing bank subsidiaries, expand WAMC, fund possible acquisitions of financial institutions or other finance related companies, purchase treasury stock or other general corporate matters.

(10) Long-term Debt - Trust Preferred Securities

In October 1998, Wintrust Capital Trust I ("WCT I") issued \$31,050,000 of 9.00% Trust Preferred Securities with a maturity date of September 30, 2028. In June 2000, Wintrust Capital Trust II ("WCT II") issued \$20,000,000 of 10.50% Trust Preferred Securities with a maturity date of June 30, 2030.

WCT I and WCT II are statutory business trusts ("Trusts") created by the Company solely for the purpose of issuing the Trust Preferred Securities. WCT I and WCT II issued \$960,000 and \$619,000, respectively, of common securities, all of which are owned by the Company. The Trust

Preferred Securities represent preferred undivided beneficial interests in the assets of the respective Trusts. The Trusts invested the proceeds from the issuances of the Trust Preferred Securities along with the proceeds from the common securities in Subordinated Debentures issued by the Company. The assets of WCT I and WCT II consist solely of \$32,010,000 and \$20,619,000, respectively, of Subordinated Debentures with the same maturities and interest rates as the respective Trust Preferred Securities. Subject to certain limitations, the Company has the right to defer payment of interest on the Subordinated Debentures at any time, or from time to time, for a period not to exceed 20 consecutive quarters. The Trust Preferred Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Subordinated Debentures at maturity or their earlier redemption. The Subordinated Debentures of WCT I and WCT II are redeemable in whole or in part prior to maturity, at the discretion of the Company, on or after September 30, 2003 and June 30, 2005, respectively, if certain conditions are met, and only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations.

The Company has guaranteed the payment of distributions and payments upon liquidation or redemption of the Trust Preferred Securities, in each case to the extent of funds held by WCT I and WCT II. The Company and the Trusts believe that, taken together, the obligations of the Company under the guarantees, the subordinated debentures, and other related agreements provide, in the aggregate, a full, irrevocable and unconditional guarantee, on a subordinated basis, of all of the obligations of the Trusts under the Trust Preferred Securities.

The Trust Preferred Securities, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory capital purposes. Interest expense on the Trust Preferred Securities is deductible for income tax purposes.

(11) Minimum Lease Commitments

Gross rental expense related to the Company's premises was \$1,129,000, \$1,106,000 and \$922,000 in 2000, 1999 and 1998, respectively. Gross rental income related to the Company's buildings totaled \$486,000, \$415,000 and \$390,000, in 2000, 1999 and 1998, respectively. In 2000, 1999 and 1998, the Company also recorded equipment lease income of approximately \$1,263,000, \$397,000 and \$55,000, respectively. Future minimum gross rental payments for office space, future minimum gross rental income, and equipment lease income as of December 31, 2000 for all noncancelable leases are as follows (in thousands):

	Future minimum gross rental payments	Future minimum gross rental income	Future minimum equipment lease income
2001	\$ 845	321	1,556
2002	584	282	1,143
2003	413	227	819
2004	323	150	593
2005	203	82	161
2006 and thereafter	149	264	-
Total minimum future amounts	\$ 2,517	1,326	4,272

(12) Income Taxes

Income tax expense (benefit) for the years ended December 31, 2000, 1999 and 1998 is summarized as follows (in thousands):

	Year Ended December 31,		
	2000	1999	1998
Current income taxes:			
Federal	\$ 4,509	5,571	571
State	187	-	-
Total current income taxes	4,696	5,571	571
Deferred income taxes:			
Federal	847	(1,240)	(2,378)
State	(250)	393	271
Total deferred income taxes	597	(847)	(2,107)
Total tax expense (benefit)	\$ 5,293	4,724	(1,536)

The exercise of certain stock options produced tax benefits of \$151,000 in 2000, \$90,000 in 1999 and \$95,000 in 1998 which were recorded directly to shareholders' equity.

Income taxes for 2000, 1999 and 1998 differ from the expected tax expense for those years (computed by applying the applicable statutory U.S. Federal income tax rate of 35% in 2000 and 1999 and 34% in 1998 to income before income taxes) as follows (in thousands):

	Year Ended December 31,		
	2000	1999	1998
Computed "expected" income tax expense	\$ 5,757	4,953	1,601
Increase (decrease) in tax resulting from:			
Decrease in valuation allowance for deferred tax assets	(346)	(460)	(3,357)
Other, net	(118)	231	220
Income tax expense (benefit)	\$ 5,293	4,724	(1,536)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2000 and 1999 are presented below (in thousands):

	2000	1999
Deferred tax assets:		
Allowance for possible loan losses	\$ 4,065	3,313
Net unrealized losses on securities	224	1,249
Federal net operating loss carryforward	4,653	5,984
State net operating loss carryforward	563	660
Deferred compensation	392	315
Premises and equipment	-	235
Other	-	380
Total gross deferred tax assets	9,897	12,136
Less: Valuation allowance	-	346
Total deferred tax assets	9,897	11,790
Deferred tax liabilities:		
Premises and equipment	26	-
Deferred loan fees	1,076	860
Accrual to cash adjustment	58	261
Other	439	749
Total gross deferred tax liabilities	1,599	1,870
Net deferred tax assets	\$ 8,298	9,920

During 1998 and 1999, management determined that a valuation allowance should be established for a portion of the deferred tax asset based on management's assessment regarding realization of such deferred tax assets considering the profitability attained by the Company and its operating subsidiaries during each of the years and future earnings estimates. In 2000, management believes that realization of the recorded net deferred tax asset is more likely than not.

At December 31, 2000, Wintrust and its subsidiaries had Federal net operating losses of approximately \$13.3 million and state net operating losses of approximately \$12.1 million. Such amounts are available for carryforward to offset future taxable income and expire in 2003 - 2010. Utilization of the net operating losses are subject to certain statutory limitations.

(13) Employee Benefit and Stock Plans

The Wintrust Financial Corporation 1997 Stock Incentive Plan ("the Plan") provides options to purchase shares of Wintrust's common stock at the fair market value of the stock on the date the option was granted. The Plan permits the grant of incentive stock options, nonqualified stock options, rights and restricted stock. The Plan covers substantially all employees of Wintrust.

On May 25, 2000, the Company's shareholders approved an amendment to the Plan increasing the total number of shares of Common Stock as to which awards may be granted by 450,000 to a maximum of 2,387,359. The incentive and nonqualified options expire at such time as the Compensation Committee shall determine at the time of grant, however, in no case shall they be exercisable later than ten years after the grant.

A summary of the aggregate activity of the Plan for 2000, 1999 and 1998 is as follows:

	Common Shares	Range of Strike Prices	Weighted Average Strike Price
Outstanding at			
December 31, 1997	1,459,088	\$ 5.80 - 21.13	\$ 11.90
Granted	150,400	17.88 - 21.75	18.71
Exercised	31,423	5.80 - 14.53	8.30
Forfeited or canceled	53,081	9.30 - 19.86	16.25
Outstanding at			
December 31, 1998	1,524,984	5.80 - 21.75	12.49
Granted	261,169	16.69 - 20.06	17.38
Exercised	31,933	7.75 - 14.53	9.79
Forfeited or canceled	41,791	10.77 - 19.25	17.73
Outstanding at			
December 31, 1999	1,712,429	5.80 - 21.75	13.15
Granted	137,700	13.81 - 17.88	15.50
Exercised	76,929	5.80 - 14.53	9.45
Forfeited or canceled	99,902	7.75 - 21.75	18.27
Outstanding at			
December 31, 2000	1,673,298	\$ 5.80 - 21.75	\$ 13.20

At December 31, 2000, 1999 and 1998, the weighted-average remaining contractual life of outstanding options was 5.6 years, 6.2 years and 6.6 years, respectively. Additionally, at December 31, 2000, 1999 and 1998, the number of options exercisable was 1,223,925, 1,185,697 and 887,514, respectively, and the weighted-average per share exercise price of those options was \$11.78, \$11.23 and \$9.38, respectively. Expiration dates for the options range from December 28, 2001 to October 27, 2010.

The following table presents certain information about the outstanding options and the currently exercisable options as of December 31, 2000:

Options Outstanding				Options Currently Exercisable	
Range of Exercise Prices	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Term	Number of Shares	Weighted Average Exercise Price
\$ 5.80 - 7.75	384,584	\$ 6.91	2.12 years	384,584	\$ 6.91
8.29 - 12.42	309,246	10.29	4.14 years	309,246	10.29
12.43 - 15.25	269,458	14.10	5.93 years	208,522	14.04
15.38 - 17.00	249,517	16.56	9.07 years	145,217	16.98
17.03 - 17.94	87,896	17.49	8.19 years	25,636	17.49
18.00 - 18.00	310,897	18.00	6.94 years	131,340	18.00
18.44 - 21.75	61,700	19.27	7.95 years	19,380	19.38
\$ 5.80 - 21.75	1,673,298	\$ 13.20	5.57 years	1,223,925	\$ 11.78

The Company applies APB No. 25, and related Interpretations, in accounting for its stock option plan. Accordingly, no compensation cost has been recognized for its stock option plan. Had compensation cost for the Company's stock option plan been determined based on the fair value at the date of grant for awards under the stock option plan consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share data):

	Year Ended December 31,		
	2000	1999	1998
Net income			
As reported	\$ 11,155	9,427	6,245
Pro forma	10,453	8,082	5,659
Earnings per share-Basic			
As reported	\$ 1.28	1.14	0.77
Pro forma	1.20	0.98	0.70
Earnings per share-Diluted			
As reported	\$ 1.25	1.10	0.74
Pro forma	1.17	0.94	0.67

The pro forma amounts indicated above may not be representative of the effects on reported net income for future years. The fair value of each option grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants during the years ended December 31, 2000, 1999 and 1998, respectively: dividend yield of 0.7% for 2000, 0.6% for 1999 and 0.0% for 1998; expected volatility of 25.6% for 2000, 27.5% for 1999 and 24.2% for 1998; risk free rate of return of 6.2% for 2000, 5.6% for 1999 and 5.3% for 1998; and, expected life of 7.3 years for 2000, 7.2 years for 1999 and 7.5 years for 1998. The per share weighted average fair value of stock options granted dur-

ing 2000, 1999 and 1998 was \$6.07, \$6.98 and \$7.54, respectively.

Wintrust and its subsidiaries also provide 401(k) Retirement Savings Plans ("401(k) Plans"). The 401(k) Plans cover all employees meeting certain eligibility requirements. Contributions by employees are made through salary reductions at their direction, limited to \$10,500 in 2000 and \$10,000 in both 1999 and 1998. Employer contributions to the 401(k) Plans are made at the employer's discretion. Generally, participants completing 501 hours of service are eligible to share in an allocation of employer contributions. The Company's expense for the employer contributions to the 401(k) Plans was approximately \$151,000, \$57,000 and \$52,000 in 2000, 1999 and 1998, respectively.

The Wintrust Financial Corporation Employee Stock Purchase Plan ("SPP") is designed to encourage greater stock ownership among employees, thereby enhancing employee commitment to the Company. The SPP gives eligible employees the right to accumulate funds over an offering period to purchase shares of Common Stock. The Company has reserved 250,000 shares of its authorized Common Stock for the SPP. All shares offered under the SPP will be either newly issued shares of the Company or shares issued from treasury, if any. In accordance with the SPP, the purchase price of the shares of Common Stock may not be lower than the lesser of 85% of the fair market value per share of the Common Stock on the first day of the offering period or 85% of the fair market value per share of the Common Stock on the last date for the offering period. The Company's Board of Directors authorized a purchase price calculation at 90% of fair market value for each of the offering periods. During 2000 and 1999, a total of 8,961 shares and 8,349 shares, respectively, were issued to participant accounts

and approximately \$23,000 and \$19,000, respectively, was recognized as compensation expense. The fifth offering period concludes on March 31, 2001. The Company plans to continue to periodically offer Common Stock through this SPP subsequent to March 31, 2001.

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

(14) Regulatory Matters

Banking laws place restrictions upon the amount of dividends which can be paid to Wintrust by the Banks. Based on these laws, the Banks could, subject to minimum capital requirements, declare dividends to Wintrust without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. During 2000 and 1998, cash dividends totaling \$16 million and \$8.25 million, respectively, were paid to Wintrust by the Banks. No cash dividends were paid to Wintrust by the Banks for the year ended December 31, 1999. As of January 1, 2001, the Banks had approximately \$11.2 million available to be paid as dividends to Wintrust, subject to certain capital limitations.

The Banks are also required by the Federal Reserve Act to maintain reserves against deposits. Reserves are held either in the form of vault cash or balances maintained with the Federal Reserve Bank and are based on the average daily deposit balances and statutory reserve ratios prescribed by the type of deposit account. At December 31, 2000 and 1999, reserve balances of approximately \$12.5 million and \$11.7 million, respectively, were required.

The Company and the Banks are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possi-

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and Tier 1 leverage capital (as defined) to average quarterly assets (as defined). Management believes, as of December 31, 2000 and 1999, that the Company and the Banks met all minimum capital adequacy requirements.

As of December 31, 2000, the most recent notification from the Banks' primary federal regulators, the Banks were categorized as either well capitalized or adequately capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized, the Banks must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the most recent notification that management believes would materially affect the Banks' regulatory capital categories. The Company's and the Banks' actual capital amounts and ratios as of December 31, 2000 and 1999 are presented in the following table (dollars in thousands):

	December 31, 2000				December 31, 1999			
	Actual		To Be Adequately Capitalized by Regulatory Definition		Actual		To Be Adequately Capitalized by Regulatory Definition	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Total Capital (to Risk Weighted Assets):								
Consolidated	\$ 153,354	8.4%	\$145,482	8.0%	\$ 123,466	8.4%	\$118,312	8.0%
Lake Forest	43,889	9.1	38,725	8.0	37,541	8.9	33,779	8.0
Hinsdale	31,089	9.8	25,449	8.0	24,755	9.0	21,975	8.0
North Shore	34,594	9.3	29,747	8.0	27,095	8.5	25,452	8.0
Libertyville	24,288	10.3	18,813	8.0	16,444	9.1	14,470	8.0
Barrington	20,679	10.5	15,832	8.0	14,903	9.8	12,189	8.0
Crystal Lake	11,666	11.3	8,248	8.0	8,893	13.0	5,474	8.0
Tier 1 Capital (to Risk Weighted Assets):								
Consolidated	\$ 126,085	6.9%	\$ 72,741	4.0%	\$ 114,683	7.8%	\$ 59,156	4.0%
Lake Forest	41,052	8.5	19,362	4.0	35,106	8.3	16,889	4.0
Hinsdale	29,017	9.1	12,724	4.0	22,839	8.3	10,988	4.0
North Shore	32,415	8.7	14,873	4.0	25,239	7.9	12,726	4.0
Libertyville	22,674	9.6	9,406	4.0	15,224	8.4	7,235	4.0
Barrington	19,583	9.9	7,916	4.0	14,063	9.2	6,094	4.0
Crystal Lake	11,031	10.7	4,124	4.0	8,376	12.2	2,737	4.0
Tier 1 Leverage Capital (to Average Quarterly Assets):								
Consolidated	\$ 126,085	6.3%	\$ 80,164	4.0%	\$ 114,683	7.1%	\$ 65,047	4.0%
Lake Forest	41,052	6.6	25,038	4.0	35,106	6.9	20,274	4.0
Hinsdale	29,017	7.9	14,681	4.0	22,839	6.9	13,227	4.0
North Shore	32,415	7.3	17,693	4.0	25,239	7.1	14,199	4.0
Libertyville	22,674	8.0	11,314	4.0	15,224	6.9	8,845	4.0
Barrington	19,583	8.4	9,321	4.0	14,063	8.3	6,793	4.0
Crystal Lake	11,031	9.1	4,858	4.0	8,376	9.7	3,447	4.0

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

Northbrook Bank, which is "well-capitalized" in all capital categories is not presented above. Northbrook Bank opened in November 2000 and its capital ratios at December 31 2000 are not meaningful.

(15) Commitments and Contingencies

The Company has outstanding, at any time, a number of commitments to extend credit to its customers. These commitments include revolving home line and other credit agreements, term loan commitments and standby letters of credit. These commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Statements of Condition. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments. Commitments to

extend credit at December 31, 2000 and 1999 were \$511.2 million and \$431.9 million, respectively. Standby and commercial letters of credit amounts were \$27.5 million and \$13.5 million at December 31, 2000 and 1999, respectively.

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

(16) Derivative Financial Instruments

The Company enters into certain derivative financial instruments as part of its strategy to manage its exposure to market risk. Market risk is the possibility that, due to changes in interest rates or other economic conditions, the Company's net interest income will be adversely affected. The derivative financial instruments that are currently being utilized by the Company to manage this risk include interest rate cap contracts. The amounts potentially subject to market and credit risks are the streams of interest payments under the contracts and not the notional principal amounts used to express the volume of the transactions. As of December 31, 2000, the Company had \$400 million of notional principal amounts of interest rate caps with maturities ranging from January 2001 to January 2003. These contracts were purchased to mitigate the effect of rising rates on certain floating rate deposit products and provide for the receipt of payments when the 91-day Treasury bill rate exceeds predetermined strike rates that range from 5.37% to 6.50%. The payment amounts, if any, are determined and received on a monthly basis and are recorded as an adjustment to net interest income. Premiums paid for the purchase of interest rate cap contracts are amortized over the term of the agreement as an adjustment to net interest income.

See Recent Accounting Pronouncements in Note 1 regarding implementation of SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," effective January 1, 2001. The Company may enter into other derivative financial instruments in the future to more effectively manage its market risk.

Periodically, the Company will sell options to a bank or dealer for the right to purchase certain securities held within the Banks' investment portfolios. These covered call option transactions are designed primarily to increase the total return associated with holding these securities as earning assets. The option premium income generated by these transactions is recognized as other non-interest income. As of December 31, 2000, the Company was obligated pursuant to the exercise of a covered call option to deliver \$30 million of securities it had previously committed to purchase with a forward settlement date in January 2001. In January 2001, the securities were purchased and subsequently sold in settlement of the option. No gain or loss was recognized on the sale of these securities. There were no call options outstanding as of December 31, 2000 or 1999.

(17) Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The following table presents the carrying amounts and estimated fair values of Wintrust's financial instruments at December 31, 2000 and 1999 (in thousands):

	At December 31, 2000		At December 31, 1999	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Cash and demand balances from banks	\$ 65,413	65,413	53,066	53,066
Federal funds sold and securities purchased under resale agreements	164,641	164,641	28,231	28,231
Interest bearing deposits with banks	182	182	2,547	2,547
Available-for-sale securities	193,105	193,105	205,795	205,795
Loans, net of unearned income	1,558,020	1,547,571	1,278,249	1,272,395
Accrued interest receivable	10,850	10,850	8,843	8,843
Financial liabilities:				
Non-maturity deposits	749,448	749,448	609,860	609,860
Deposits with stated maturities	1,077,128	1,080,224	853,762	856,600
Short-term borrowings	43,639	43,639	59,843	59,843
Notes payable	27,575	27,575	8,350	8,350
Long-term borrowings-trust preferred securities	51,050	48,166	31,050	30,119
Accrued interest payable	4,360	4,360	2,757	2,757
Off-balance sheet derivative contracts:				
Interest rate cap agreements - positive value	472	57	450	464

Cash, demand balances from banks, Federal funds sold and securities purchased under resale agreements: The carrying value of cash, demand balances from banks, Fed funds sold and securities purchased under resale agreements approximates fair value due to the short maturity of those instruments. Securities purchased under resale agreements are short term and have a fixed sales price equal to the carrying amount.

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

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

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

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

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

Short-term borrowings: The carrying value of short-term borrowings approximates fair value due to the relatively short period of time to maturity or repricing.

Notes payable: The carrying value of notes payable approximates fair value due to the relatively short period of time to repricing of variable interest rates.

Long-term borrowings: The fair value of long-term borrowings, which consists entirely of Trust Preferred Securities, was determined based on the quoted market prices as of the last business day of the year.

Interest rate cap agreements: The carrying value of interest rate cap agreements represents the remaining unamortized cost of the contracts. The fair value is based on quoted market prices as of the last business day of the year.

Commitments to extend credit and standby letters of credit: The fair value of commitments to extend credit is based on fees currently charged to enter into similar arrangements, the remaining term of the agreement, the present creditworthiness of the counterparty, and the difference between current interest rates and committed interest rates on the commitments. Because most of Wintrust's commitment agreements were recently entered into and/or contain variable interest rates, the carrying value of Wintrust's commitments to extend credit approximates fair value. The fair value of letters of credit is based on fees currently charged for similar arrangements. The fair value of such commitments is not material and is not shown here.

The above fair value estimates were made at a point in time based on relevant market information and other assumptions about the financial instruments. As no active market exists for a significant portion of the Company's financial instruments, fair value estimates were based on judgements regarding current economic conditions, future expected cash flows and loss experience, risk characteristics and other factors. These estimates are subjective in nature and involve uncertainties and therefore cannot be calculated with precision. Changes in these assumptions could significantly affect these estimates. In addition, the fair value estimates only reflect existing on and off-balance sheet financial instruments and do not attempt to assess the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. For example, the value of depositor relationships, premises and equipment, intangible assets and the Company's trust and investment business have not been considered.

(18) Warrants to Acquire Common Stock

The Company has issued warrants to acquire common stock. The warrants entitle the holder to purchase one share of the Company's common stock at purchase prices ranging from \$14.85 to \$15.00 per share. There were 155,433 outstanding warrants to acquire common stock at December 31, 2000 and 1999, respectively, with expiration dates ranging from December 2002 through November 2005.

(19) Comprehensive Income

Comprehensive income includes net income plus certain transactions that are reported directly within shareholders' equity, such as unrealized gains and losses on available-for-sale securities. A reconciliation of the transactions affecting accumulated other comprehensive income included in the Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, is presented below (in thousands):

	Pretax	Tax effect	Net of tax
1998			
Unrealized losses on			
available-for-sale securities	\$ (153)	59	(94)
Total	(153)	59	(94)
1999			
Unrealized losses on			
available-for-sale securities	(3,460)	1,243	(2,217)
Reclassification adjustment for			
gains realized in net income	(5)	2	(3)
Total	(3,465)	1,245	(2,220)
2000			
Unrealized gains on			
available-for-sale securities	2,895	(1,013)	1,882
Reclassification adjustment for			
losses realized in net income	40	(14)	26
Total	2,935	(1,027)	1,908

(20) Segment Information

The Company's operations consist of five primary segments: banking, premium finance, indirect auto, Tricom and trust. Through its seven bank subsidiaries located in several affluent suburban Chicago communities, the Company provides traditional community banking products and services to individuals and businesses such as accepting deposits, advancing loans, administering ATMs, maintaining safe deposit boxes, and providing other related services. The premium finance operations consist of financing the payment of commercial insurance premiums, on a national basis, through FIFC. A significant portion of the loans originated by FIFC are sold to the Banks and are retained in each of their loan portfolios. The indirect auto segment is operated from one of the Company's bank subsidiaries and is in the business of providing high quality new and used auto loans through a large network of auto dealerships within the Chicago metropolitan area. All loans originated by this segment

are currently retained within the Banks' loan portfolios. The Tricom segment encompasses the operations of the Company's non-bank subsidiary that provides short-term accounts receivable financing and value-added outsourced administrative services, such as data processing of payrolls, billing and cash management services, to temporary staffing service clients throughout the United States. The operating segment information of Tricom is included in the following tables since October 1, 1999, the effective date of the Company's acquisition of Tricom. The trust segment is operated through WAMC, which was formed in September 1998 to offer trust and investment management services at each of the Banks. In addition to offering these services to existing customers of the Banks, WAMC targets newly affluent individuals and small to mid-size businesses whose needs command personalized attention by experienced trust professionals. Prior to the formation of WAMC, trust services were provided through a department of the Lake Forest Bank.

Each of the five reportable segments are strategic business units that are separately managed as they offer different products and services and have different marketing strategies. In addition, each segment's customer base has varying characteristics. The banking and indirect auto segments also have a different regulatory environment than the premium finance, Tricom and trust segments. While the Company's chief decision makers monitor each of the seven bank subsidiaries' operations and profitability separately, these subsidiaries have been aggregated into one reportable operating segment due to the similarities in products and services, customer base, operations, profitability measures, and economic characteristics.

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 accounting policies of the segments are generally the same as those described in the Summary of Significant Accounting Policies in Note 1 to the Consolidated Financial Statements. 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. Intersegment revenue and transfers are generally accounted for at current market prices. The other category reflects parent company information.

The following is a summary of certain operating information for reportable segments (in thousands):

	Year Ended December 31,		
	2000	1999	1998
Net Interest Income:			
Banking	\$ 57,220	44,293	34,245
Premium finance	14,824	12,643	9,714
Indirect auto	6,489	8,201	5,595
Tricom	3,640	826	N/A
Trust	508	469	359
Intersegment eliminations	(16,468)	(15,511)	(11,168)
Other	(5,213)	(3,187)	(1,981)
Total	\$ 61,000	47,734	36,764

Non-interest Income:			
Banking	\$ 8,627	7,140	7,700
Premium finance	3,831	1,033	-
Indirect auto	2	1	2
Tricom	4,476	1,009	N/A
Trust	1,971	1,171	788
Intersegment eliminations	(618)	(606)	(418)
Other	17	60	3
Total	\$ 18,306	9,808	8,075

Provision for Possible Loan Losses (non-cash item):			
Banking	\$ 4,833	3,774	4,403
Premium finance	1,409	263	401
Indirect auto	1,640	1,665	855
Tricom	15	10	N/A
Trust	-	-	-
Intersegment eliminations	(2,842)	(1,999)	(1,362)
Total	\$ 5,055	3,713	4,297

Depreciation and Amortization (non-cash item):			
Banking	\$ 4,551	3,245	2,457
Premium finance	381	294	284
Indirect auto	47	36	30
Tricom	1,215	248	N/A
Trust	87	58	48
Intersegment eliminations	-	-	(62)
Other	338	365	195
Total	\$ 6,619	4,246	2,952

Income Tax Expense (Benefit):			
Banking	\$ 8,045	5,831	3,046
Premium finance	1,705	2,697	1,276
Indirect auto	1,050	1,692	1,168
Tricom	1,113	238	N/A
Trust	(264)	(299)	(114)
Intersegment eliminations	(3,514)	(3,726)	(5,424)
Other	(2,842)	(1,709)	(1,488)
Total	\$ 5,293	4,724	(1,536)

	Year Ended December 31,		
	2000	1999	1998
Segment Profit (Loss):			
Banking	\$ 14,771	10,284	5,131
Premium finance	2,589	4,273	2,022
Indirect auto	1,596	2,680	1,850
Tricom	1,630	340	N/A
Trust	(413)	(559)	(189)
Intersegment eliminations	(4,536)	(4,764)	(99)
Other	(4,482)	(2,827)	(2,470)
Total	\$ 11,155	9,427	6,245

	At December 31,	
	2000	1999
Segment Assets:		
Banking	\$ 2,071,147	1,676,983
Premium finance	360,218	260,323
Indirect auto	209,813	266,040
Tricom	31,883	29,213
Trust	5,492	2,578
Intersegment eliminations	(583,269)	(559,139)
Other	7,522	3,384
Total	\$ 2,102,806	1,679,382

The premium finance and indirect auto segment information shown in the above tables was derived from their internal profitability reports, which assumes that all loans originated and sold to the banking segment are retained within the segment that originated the loans. All related loan interest income, allocations for interest expense, provisions for possible loan losses and allocations for other expenses are included in the premium finance and indirect auto segments. The banking segment information also includes all amounts related to these loans, as these loans are retained within the Banks' loan portfolios. Accordingly, the intersegment eliminations shown in the above tables includes adjustments necessary for each category to agree with the related consolidated financial amounts. The intersegment eliminations amount reflected in the Income Tax Expense (Benefit) category also includes the recognition of income tax benefits from the realization of previously unvalued tax loss benefits.

(21) Condensed Parent Company Financial Statements

Condensed Balance Sheet

(in thousands):

	December 31,	
	2000	1999
Assets		
Cash	\$ 312	269
Other Investments	1,609	-
Loans	1,200	-
Investment in subsidiaries	176,501	130,967
Other assets	4,401	3,115
Total assets	\$ 184,023	134,351
Liabilities and Shareholders' Equity		
Other liabilities	\$ 1,543	1,044
Notes payable	27,575	8,350
Long-term debt - trust preferred securities	52,629	32,010
Shareholders' equity	102,276	92,947
Total liabilities and shareholders' equity	\$ 184,023	134,351

Condensed Statements of Income

(in thousands):

	Year Ended December 31,		
	2000	1999	1998
Income			
Dividends from subsidiaries	\$ 16,000	-	8,250
Other income	101	60	3
Total income	16,101	60	8,253
Expenses			
Interest expense	5,297	3,187	1,981
Salaries and employee benefits	641	252	1,095
Amortization of goodwill and organizational costs	104	212	161
Other expenses	1,382	945	724
Total expenses	7,424	4,596	3,961
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	8,677	(4,536)	4,292
Income tax benefit	(2,841)	(1,709)	(1,488)
Income (loss) before equity in undistributed net income of subsidiaries	11,518	(2,827)	5,780
Equity in undistributed net income (loss) of subsidiaries	(363)	12,254	465
Net income	\$ 11,155	9,427	6,245

Condensed Statements of Cash Flows

(in thousands):

	Year Ended December 31,		
	2000	1999	1998
Operating activities:			
Net income	\$ 11,155	9,427	6,245
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	338	365	195
Deferred income taxes	(337)	(249)	519
Increase in other assets	(1,286)	(237)	(450)
Increase in other liabilities	401	320	568
Equity in undistributed net (income) loss of subsidiaries	363	(12,254)	(465)
Net cash provided by (used for) operating activities	10,634	(2,628)	6,612
Investing activities:			
Capital contributions to subsidiaries	(44,169)	(14,300)	(17,026)
Other investing activity, net	(2,532)	-	-
Net cash used for investing activities	(46,701)	(14,300)	(17,026)
Financing activities:			
Increase (decrease) in notes payable, net	19,225	8,350	(20,402)
Proceeds from long-term debt	20,619	-	32,010
Common stock issuance, net	-	5,984	-
Common stock issued upon exercise of stock options	878	403	264
Common stock issued through employee stock purchase plan	126	148	-
Cash dividends paid	(875)	-	-
Purchase of common stock	(3,863)	-	-
Net cash provided by financing activities	36,110	14,885	11,872
Net increase (decrease) in cash	43	(2,043)	1,458
Cash at beginning of year	269	2,312	854
Cash at end of year	\$ 312	269	2,312

(22) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for 2000, 1999 and 1998 (in thousands, except per share data):

	2000	1999	1998
Net income	(A) \$ 11,155	9,427	6,245
Average common shares outstanding	(B) 8,711	8,249	8,142
Effect of dilutive common shares	230	309	353
Weighted average common shares and effect of dilutive common shares	(C) 8,941	8,558	8,495
Net earnings per average common share - Basic	(A/B) \$ 1.28	1.14	0.77
Net earnings per average common share - Diluted	(A/C) \$ 1.25	1.10	0.74

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

(23) Quarterly Financial Summary (Unaudited)

The following is a summary of quarterly financial information for the years ended December 31, 2000 and 1999 (in thousands, except per share data):

	2000 Quarters				1999 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Interest income	\$ 32,309	35,074	38,908	41,893	24,278	26,114	28,084	30,855
Interest expense	18,441	20,225	23,268	25,250	13,462	14,516	15,862	17,757
Net interest income	13,868	14,849	15,640	16,643	10,816	11,598	12,222	13,098
Provision for possible loan losses	1,141	1,223	1,307	1,384	784	933	990	1,006
Net interest income after provision for possible loan losses	12,727	13,626	14,333	15,259	10,032	10,665	11,232	12,092
Non-interest income, excluding net securities gains (losses)	4,275	4,532	4,562	4,977	2,308	2,118	2,002	3,375
Net securities gains (losses)	3	(28)	(69)	54	-	-	15	(10)
Non-interest expense ⁽¹⁾	12,109	12,889	18,126	14,679	9,536	9,528	9,430	11,184
Income before income taxes	4,896	5,241	700	5,611	2,804	3,255	3,819	4,273
Income tax expense (benefit)	1,774	1,922	(199)	1,796	970	995	1,292	1,467
Net income	\$ 3,122	3,319	899	3,815	1,834	2,260	2,527	2,806
Net income per common share:								
Basic	\$ 0.35	0.38	0.10	0.44	0.22	0.28	0.31	0.33
Diluted	\$ 0.35	0.37	0.10	0.43	0.22	0.27	0.30	0.32
Cash dividends declared per common share	\$ 0.05	-	0.05	-	-	-	-	-

(1) During the third quarter of 2000, the Company recorded a non-recurring \$4.5 million pre-tax charge (\$2.7 million after tax) related to a fraudulent loan scheme perpetrated against its premium finance subsidiary. During the fourth quarter of 2000, a partial recovery of \$200,000 related to this fraud was recorded as a reduction of the charge reported in the previous quarter.

Independent Auditors' Reports

The Board of Directors
Wintrust Financial Corporation

We have audited the accompanying consolidated statements of condition of Wintrust Financial Corporation and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Chicago, Illinois
February 2, 2001

The Board of Directors
Wintrust Financial Corporation:

We have audited the accompanying consolidated statements of income, changes in shareholders' equity, and cash flows of Wintrust Financial Corporation and subsidiaries (the "Company") for the year ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of Wintrust Financial Corporation and subsidiaries for the year ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Chicago, Illinois
March 19, 1999

Management's Discussion and Analysis

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion highlights the significant factors affecting the operations and financial condition of Wintrust for the three years ended December 31, 2000. This discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto, and Selected Financial Highlights appearing elsewhere within this report. This discussion contains forward-looking statements concerning the Company's business that are based on estimates and involve risks and uncertainties. Therefore, future results could differ significantly from management's current expectations and the related forward-looking statements. See the last section of this discussion for further information regarding forward-looking statements.

Operating Summary

Wintrust's net income, excluding a non-recurring charge discussed below, increased 46% in 2000 compared to 1999, after increasing 51% in 1999 over 1998. Wintrust's key measures of profitability and balance sheet growth continued to show impressive improvement in 2000, as evidenced by the table below (in thousands, except per share data):

	Year Ended 12/31/00	Year Ended 12/31/99	Percent Improvement
Net income ⁽¹⁾	\$ 13,761	\$ 9,427	46.0%
Net income per common share - Diluted ⁽¹⁾	1.54	1.10	40.0
Net revenues	79,306	57,542	37.8
Net interest income	61,000	47,734	27.8
Net interest margin	3.66%	3.54%	3.4
Net overhead ratio ⁽¹⁾	1.90	2.00	5.0
Return on average assets ⁽¹⁾	0.74	0.63	17.5
Return on average equity ⁽¹⁾	14.20	11.58	22.6
At end of period:			
Total assets	\$ 2,102,806	\$ 1,679,382	25.2
Total net loans	1,558,020	1,278,249	21.9
Total deposits	1,826,576	1,463,622	24.8
Book value per common share	\$ 11.87	10.60	12.0

(1) Excludes net non-recurring charge of \$4.52 million, net of a \$200,000 partial recovery, (\$2.61 million after tax) reported in 2000 related to a fraudulent loan scheme perpetrated against the Company's premium finance subsidiary.

Please refer to the Consolidated Results of Operations section later in this discussion for further analysis of the Company's operations for the past three years.

Overview and Strategy

Wintrust's operating subsidiaries were organized within the last nine years, with an average life of its seven subsidiary banks of approximately five years. The Company 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 financial performance of the Company has been affected by costs associated with growing market share, establishing new *de novo* banks, opening new branch facilities, and building an experienced management team. The Company's financial performance over the past several years generally reflects improving profitability of the Banks, as they mature, offset by the costs of opening new banks and branch facilities. The Company's experience has been that it generally takes 13-24 months for new banking offices to first achieve operational profitability. Similarly, management currently expects a start-up phase for WAMC of a few years before its operations become profitable.

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 in order to maintain the mix of earning assets in higher-yielding loans. Another aspect of this strategy is a continued focus on less aggressive deposit pricing at the Banks with significant market share and more established customer bases.

FIFC is the Company's most significant specialized earning asset niche and originated approximately \$1.1 billion in premium finance receivable volume during 2000. Although a large portion of this receivable volume is retained within the Banks' loan portfolios, FIFC sold approximately \$225 million of these receivables to an unrelated third party in 2000 as a result of continued volume growth. The Company began selling the excess of FIFC's originations over the capacity to retain such loans within the Banks' loan portfolios during the second quarter of 1999. In addition to recognizing gains on the sale of these receivables, the proceeds provide the Company with additional liquidity. Consistent with the Company's strategy to be asset-driven, 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.

De Novo Bank Formation and Branch Opening Activity

The following table illustrates the progression of bank and branch openings that have impacted the Company's growth and results of operations since inception.

Month	Year	Bank	Location	Type of Facility
February	2001	Crystal Lake Bank	McHenry, Illinois ⁽⁵⁾	Branch
November	2000	Northbrook Bank	Northbrook, Illinois	Bank (temporary facility)
July	2000	Libertyville Bank	Wauconda, Illinois ⁽⁴⁾	Branch
May	2000	Libertyville Bank	Wauconda, Illinois ⁽⁴⁾	Drive-up
February	2000	Lake Forest Bank	Highwood, Illinois ⁽³⁾	Branch
October	1999	North Shore Bank	Skokie, Illinois	Branch
September	1999	Crystal Lake Bank	Crystal Lake, Illinois	Branch
June	1999	Lake Forest Bank	Lake Forest, Illinois	Bank/Corporate expansion
March	1999	Crystal Lake Bank	Crystal Lake, Illinois	Drive-up/walk-up
January	1999	Hinsdale Bank	Western Springs, Illinois ⁽²⁾	New permanent facility
December	1998	Lake Forest Bank	Lake Forest, Illinois	Branch
October	1998	Libertyville Bank	Libertyville, Illinois	Branch
September	1998	Crystal Lake Bank	Crystal Lake, Illinois	New permanent facility
May	1998	North Shore Bank	Glencoe, Illinois	Drive-up/walk-up
April	1998	North Shore Bank	Wilmette, Illinois	Walk-up
December	1997	Crystal Lake Bank	Crystal Lake, Illinois	Bank
November	1997	Hinsdale Bank	Western Springs, Illinois ⁽²⁾	Branch
February	1997	Lake Forest Bank	Lake Forest, Illinois	Drive-up/walk-up
December	1996	Barrington Bank	Barrington, Illinois	Bank
August	1996	Hinsdale Bank	Clarendon Hills, Illinois ⁽¹⁾	Branch
May	1996	North Shore Bank	Winnetka, Illinois	Branch
November	1995	North Shore Bank	Wilmette, Illinois	Drive-up/walk-up
October	1995	Hinsdale Bank	Hinsdale, Illinois	Drive-up/walk-up
October	1995	Libertyville Bank	Libertyville, Illinois	Bank
October	1995	Libertyville Bank	Libertyville, Illinois	Drive-up/walk-up
October	1995	North Shore Bank	Glencoe, Illinois	Branch
May	1995	Lake Forest Bank	West Lake Forest, Illinois	Branch
December	1994	Lake Forest Bank	Lake Bluff, Illinois	Branch
September	1994	North Shore Bank	Wilmette, Illinois	Bank
April	1994	Lake Forest Bank	Lake Forest, Illinois	New permanent facilities
October	1993	Hinsdale Bank	Hinsdale, Illinois	Bank
April	1993	Lake Forest Bank	Lake Forest, Illinois	Drive-up/walk-up
December	1991	Lake Forest Bank	Lake Forest, Illinois	Bank

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

(2) Operates in this location as Community Bank of Western Springs, a branch of Hinsdale Bank.

(3) Operates in this location as Bank of Highwood-Fort Sheridan, a branch of Lake Forest Bank.

(4) Operates in this location as Wauconda Community Bank, a branch of Libertyville Bank.

(5) Operates in this location as McHenry Bank & Trust, a branch of Crystal Lake Bank.

The October 1999 acquisition of Tricom was another significant 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 ten 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. Tricom currently finances and processes payrolls with associated billings in excess of \$250 million and generated approximately \$8.1 million in net revenues in 2000. By virtue of the Company's funding resources, this acquisition has provided Tricom with additional capital necessary to expand its financing services in a national market. Tricom's revenue principally consists of interest income

from financing activities and fee-based revenues from administrative services. In addition to expanding the Company's earning asset niches, this acquisition has added to the level of fee-based income.

Other specialized earning asset niches include Lake Forest Bank's MMF Leasing Services ("MMF") equipment leasing division, a previously established small business that was acquired in July 1998, and Barrington Bank's program that provides lending, deposit and cash management services to condominium, homeowner and community associations. In addition, Hinsdale Bank's mortgage warehouse lending program provides loan and deposit services to approximately thirty mortgage brokerage companies located predominantly in the Chicago metropolitan area. The Company plans to continue pur-

suings the development or acquisition of other specialty earning asset niches or finance businesses that generate assets suitable for bank investment and/or secondary market sales.

With the formation of WAMC in September 1998, the Company is expanding the trust and investment management services that were previously provided through the trust department of the Lake Forest Bank. With a separately chartered trust subsidiary, the Company is better able to offer trust and investment management services to all communities served by Wintrust banks, which management believes are some of the best trust markets in Illinois. In addition to offering these services to existing bank customers at each of the Banks, the Company believes WAMC can successfully compete for trust business by targeting small to mid-size businesses and newly affluent individuals whose needs command the personalized attention offered by WAMC's experienced trust professionals. Services offered by WAMC typically 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 fee income generated by WAMC. The overhead consists primarily of the salaries and benefits of experienced trust professionals. Management anticipates that WAMC will be successful in attracting trust business over the next two years, increasing trust fees to a level sufficient to absorb the overhead of WAMC.

General

The Company's operating profitability depends on its net interest income, provision for possible loan losses, non-interest income and non-interest expense. Net interest income is the difference between the income the Company receives on its loan and security portfolios and its cost of funds, which consists of interest paid on deposits, short-term borrowings, notes payable and trust preferred securities. The provision for possible loan losses reflects the cost of credit risk in the Company's loan portfolio. Non-interest income consists of fees on mortgage loans sold, service charges on deposit accounts, trust fees, gains on sales of premium finance receivables, adminis-

trative services revenue and other miscellaneous fees and income. Non-interest expense includes salaries and employee benefits as well as occupancy, equipment, data processing, advertising and marketing, professional fees, amortization of intangible assets and other operating expenses.

Net interest income is dependent on the amounts and yields of interest-earning assets as compared to the amounts and rates on interest-bearing liabilities. Net interest income is sensitive to changes in market rates of interest and the Company's asset/liability management actions. The provision for loan losses is dependent on increases in the loan portfolio, management's assessment of the collectibility of the loan portfolio, net loans charged-off, historical loss experience, as well as economic conditions and other market factors. Fees on mortgage loans sold relate to the Company's practice of originating long-term fixed-rate mortgage loans for sale into the secondary market in order to satisfy customer demand for such loans while avoiding the interest-rate risk associated with holding long-term fixed-rate mortgage loans in the Banks' portfolios. These fees are highly dependent on the mortgage interest rate environment and the volume of real estate transactions and mortgage refinancing activity. The Company earns trust fees for managing and administering trust and investment accounts for individuals and businesses. Gains on sales of premium finance receivables result from FIFC's sale of a portion of new origination volumes to an unaffiliated third party. Administrative services revenue results from various value-added services that Tricom provides to its temporary staffing service clients such as data processing of payrolls, billing and cash management services. Miscellaneous fees and income primarily include income generated from other ancillary banking services, premium income from the sale of covered call options and rental income from leased equipment. Non-interest expenses are heavily influenced by the growth of operations, with additional employees necessary to staff new banks, branch facilities and trust expansion, higher levels of occupancy and equipment costs, as well as advertising and marketing expenses necessary to promote the growth. The increase in the number of account relationships directly affects such expenses as data processing costs, supplies, postage, loan expenses, and other miscellaneous operating expenses.

Average Balance Sheets, Interest Income and Expense, and Interest Rate Yields and Costs

The following table sets forth the average balances, the interest earned or paid thereon, and the effective interest rate yield or cost for each major category of interest-earning assets and interest-bearing liabilities for the years ended December 31, 2000, 1999 and 1998. The yields and costs include loan origination fees and certain direct origination costs which are considered adjustments to yields. Interest income on non-accruing loans is reflected in the year that it is collected, to the extent it is not applied to principal. Such amounts are not material to net interest income or net change in net interest income in any year. Non-accrual loans are included in the average balances and do not have a material effect on the average yield. Net interest income and the related net interest margin have been adjusted to reflect tax-exempt income, such as interest on municipal securities and loans, on a tax-equivalent basis. This table should be referred to in conjunction with this analysis and discussion of the financial condition and results of operations (dollars in thousands).

	2000			1999			1998		
	Average Balance ⁽¹⁾	Interest	Average Yield/ Cost	Average Balance ⁽¹⁾	Interest	Average Yield/ Cost	Average Balance ⁽¹⁾	Interest	Average Yield/ Cost
Assets									
Interest bearing deposits with banks	\$ 439	\$ 26	5.92%	\$ 3,840	\$ 204	5.31%	\$ 40,094	\$ 2,283	5.69%
Securities ⁽²⁾	237,025	15,669	6.61	187,258	10,336	5.52	142,770	8,000	5.60
Federal funds sold	26,202	1,627	6.21	30,844	1,536	4.98	43,784	2,327	5.31
Loans, net of unearned income ⁽²⁾	1,416,419	131,428	9.28	1,135,200	97,529	8.59	848,344	75,464	8.90
Total earning assets	1,680,085	148,750	8.85	1,357,142	109,605	8.08	1,074,992	88,074	8.19
Cash and due from banks	49,893			39,285			26,585		
Allowance for possible loan losses	(9,929)			(7,980)			(5,983)		
Premises and equipment, net	80,778			65,539			50,681		
Other assets	52,755			42,580			31,470		
Total assets	\$1,853,582			\$1,496,566			\$ 1,177,745		
Liabilities and Shareholders' Equity									
Deposits - interest bearing:									
NOW accounts	\$ 152,731	\$ 5,248	3.44%	\$ 123,846	\$ 3,607	2.91%	\$ 89,963	\$ 2,849	3.17%
Savings and money market deposits	351,095	15,313	4.36	309,525	11,194	3.62	256,644	10,480	4.08
Time deposits	946,011	58,109	6.14	751,286	41,225	5.49	611,199	35,740	5.85
Total interest bearing deposits	1,449,837	78,670	5.43	1,184,657	56,026	4.73	957,806	49,069	5.12
Short-term borrowings and notes payable	74,893	4,371	5.84	53,076	2,633	4.96	21,249	1,399	6.58
Long-term debt - trust preferred securities	41,990	4,143	9.87	31,050	2,938	9.46	7,915	747	9.44
Total interest bearing liabilities	1,566,720	87,184	5.56	1,268,783	61,597	4.85	986,970	51,215	5.19
Non-interest bearing deposits	166,050			126,388			100,712		
Other liabilities	23,894			20,014			18,157		
Shareholders' equity	96,918			81,381			71,906		
Total liabilities and shareholders' equity	\$1,853,582			\$1,496,566			\$ 1,177,745		
Net interest income/spread		\$ 61,566	3.29%		\$ 48,008	3.23%		\$ 36,859	3.00%
Net interest margin			3.66%			3.54%			3.43%
Core net interest margin ⁽³⁾			3.91%			3.75%			3.50%

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

(2) Interest income on tax advantaged securities and loans reflects a tax-equivalent adjustment based on a marginal federal tax rate of 35% for both 2000 and 1999 and 34% for 1998. This total adjustment reflected in the above table is \$566, \$274 and \$95 in 2000, 1999 and 1998, respectively.

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

Changes in Interest Income and Expense

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

	Year Ended December 31,					
	2000 Compared to 1999			1999 Compared to 1998		
	Change Due to Rate	Change Due to Volume	Total Change	Change Due to Rate	Change Due to Volume	Total Change
Interest income:						
Interest bearing deposits with banks	\$ 22	(200)	(178)	(142)	(1,937)	(2,079)
Federal funds sold	344	(253)	91	(138)	(653)	(791)
Securities	2,274	3,059	5,333	(116)	2,452	2,336
Loans	8,290	25,609	33,899	(2,695)	24,760	22,065
Total interest income	10,930	28,215	39,145	(3,091)	24,622	21,531
Interest expense:						
NOW accounts	717	924	1,641	(247)	1,005	758
Savings and money market deposits	2,488	1,631	4,119	(1,280)	1,994	714
Time deposits	5,308	11,576	16,884	(2,323)	7,808	5,485
Short-term borrowings and notes payable	522	1,216	1,738	(417)	1,651	1,234
Long-term debt – trust preferred securities	131	1,074	1,205	2	2,189	2,191
Total interest expense	9,166	16,421	25,587	(4,265)	14,647	10,382
Net interest income	\$ 1,764	11,794	13,558	1,174	9,975	11,149

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

Analysis of Financial Condition

The dynamics of community bank balance sheets are generally dependent upon the ability of management to attract additional deposit accounts to fund the growth of the institution. As several of the Company's banks are still less than five years old, the generation of new deposit relationships to gain market share and establish themselves in the community as the bank of choice is

particularly important. When determining a community to establish a de novo bank, the Company generally will only enter a community where it believes the bank can gain the number one or two position in deposit market share. This is usually accomplished by initially paying competitively high deposit rates to gain the relationship and then by introducing the customer to the Company's unique way of providing local banking services.

Deposits. Over the past three years, the Company has experienced significant growth in both the number of accounts and the balance of deposits primarily as a result of de novo bank formations, new branch openings and strong marketing efforts. Total deposit balances increased 24.8% to \$1.83 billion at December 31, 2000 as compared to \$1.46 billion at December 31, 1999, which increased 19.1% when compared to the balance of \$1.23 billion at December 31, 1998.

As can be seen from the following table, the composition of the deposit base has remained relatively consistent when comparing the ending balances as of December 31, 2000, 1999 and 1998 (dollars in thousands):

	2000		1999		1998	
	Ending Balance	Percent of Total	Ending Balance	Percent of Total	Ending Balance	Percent of Total
Non-interest bearing deposits	\$ 198,319	11%	\$ 154,034	11%	\$ 131,309	11%
NOW accounts	180,898	10	130,625	9	114,284	9
Savings and money market deposits	370,231	20	325,201	22	297,932	24
Time deposits	1,077,128	59	853,762	58	685,629	56
Total deposits	\$ 1,826,576	100%	\$ 1,463,622	100%	\$ 1,229,154	100%

Additionally, growth in the deposit base continues to be generated by each of the Banks. The following table presents deposit balances by the Banks and the relative percentage of total deposits held by each Bank at December 31 for the past three years (dollars in thousands):

	2000		1999		1998	
	Ending Balance	Percent of Total	Ending Balance	Percent of Total	Ending Balance	Percent of Total
Lake Forest Bank	\$ 482,119	26%	\$ 416,642	29%	\$ 371,900	30%
Hinsdale Bank	350,407	19	296,127	20	259,333	21
North Shore Bank	410,205	23	327,130	22	270,030	22
Libertyville Bank	245,119	13	191,085	13	171,735	14
Barrington Bank	215,456	12	156,859	11	109,130	9
Crystal Lake Bank	107,555	6	75,779	5	47,026	4
Northbrook Bank	15,715	1	-	-	-	-
Total deposits	\$ 1,826,576	100%	\$ 1,463,622	100%	\$ 1,229,154	100%

Percentage increase from
prior year-end

24.8%

19.1%

33.9%

Short-term borrowings. Short-term borrowings predominantly include securities sold under agreements to repurchase and federal funds purchased and totaled \$43.6 million and \$59.8 million at December 31, 2000 and 1999, respectively. This funding category fluctuates based on daily liquidity needs of the Banks, FIFC and Tri-com.

Notes payable. The notes payable balances of \$27.6 million at December 31, 2000 and \$8.4 million at December 31, 1999 represent the balances on a \$40 million revolving credit line agreement with an unaffiliated bank. This revolving credit line is available for corporate purposes such as to provide capital to fund continued growth at existing bank subsidiaries, expansion of WAMC, possible future acquisitions and for other general corporate matters. See Note 9 to the Consolidated Financial Statements for further discussion of the terms of this revolving credit line.

Long-term debt - trust preferred securities. As of December 31, 2000 and 1999, the Company had \$51.05 million and \$31.05 million, respectively, of Cumulative Trust Preferred Securities outstanding which were publicly sold in two offerings. In October 1998, the Company sold

\$31.05 million of 9.00% Trust Preferred Securities and in June 2000 sold \$20.0 million at 10.50%. The Trust Preferred Securities offerings increased the Company's regulatory capital, and provided for the continued growth of its banking and trust franchise. The ability to treat these Trust Preferred Securities as regulatory capital under Federal Reserve guidelines and to deduct the related interest expense for Federal income taxes, provides the Company with a cost-effective form of capital. See Note 10 to the Consolidated Financial Statements for further discussion of these Trust Preferred Securities.

Total assets and earning assets. The Company's total assets were \$2.10 billion at December 31, 2000, an increase of \$423.4 million, or 25.2%, when compared to \$1.68 billion at December 31, 1999, which increased \$331.3 million, or 24.6%, over the December 31, 1998 total of \$1.35 billion. Earning assets totaled \$1.92 billion at December 31, 2000, an increase of \$401.1 million, or 26.5%, from the balance of \$1.51 billion a year earlier. Earning assets as a percentage of total assets increased to 91.1% as of December 31, 2000 when compared to 90.2% as of December 31, 1999. This increase was due mainly to an unusually high level of cash and due from

bank balances maintained at the end of 1999 in connection with the Company's contingency and liquidity planning for the Year 2000 issue. The increases in total assets and earning assets since December 31, 1999 were primarily attributable to the \$363.0 million increase in deposits, which mainly resulted from continued market share growth. The Company had a total of 28 banking facilities at the end of 2000 compared to 24 at the end of 1999.

Loans. Total loans, net of unearned income, continued on a solid growth track during 2000 and totaled \$1.56 billion at December 31, 2000, an increase of \$279.8 million, or 21.9%, over the December 31, 1999 balance of \$1.28 billion. This growth occurred in all core and specialty loan categories except the Indirect Auto portfolio. The Company began curtailing the volume of Indirect Auto

loans due to the current economic and competitive environment surrounding this portfolio. Total loans, net of unearned income, comprised 81.3% of total earning assets at December 31, 2000 as compared to 84.4% at December 31, 1999. Total loans were 85.3% of total deposits at December 31, 2000 as compared to 87.3% at December 31, 1999. These loan-to-deposit ratios fall within management's desired range of 85%-90%. Deploying the deposits in higher yielding earning assets is consistent with management's objective of being an asset-driven organization whereby excess loan originations can be sold to third parties and new deposit growth can be immediately invested in higher yielding assets. The following table presents loan balances, net of unearned income, by category as of December 31, 2000 and 1999 (dollars in thousands):

	2000		1999	
	Balances	Percent of Total	Balances	Percent of Total
Commercial and commercial real estate	\$ 647,947	42%	\$ 485,776	38%
Premium finance, net	313,065	20	219,341	17
Indirect auto, net	203,572	13	255,410	20
Home equity	179,168	12	139,194	11
Residential real estate	141,919	9	111,026	9
Tricom finance receivables	20,354	1	17,577	1
Other loans	51,995	3	49,925	4
Total loans, net of unearned income	\$ 1,558,020	100%	\$ 1,278,249	100%

Specialty Loan Categories

In order to minimize the time lag typically experienced by de novo banks in redeploying deposits into higher yielding earning assets, the Company has developed lending programs focused on specialized earning asset niches that generally have large volumes of homogeneous assets that can be acquired for the Banks' portfolios and possibly sold in the secondary market to generate fee income. These specialty niches also diversify the Banks' loan portfolios and add higher yielding earning assets that help to improve the net interest margin. Currently, the Company's two largest specialty loan areas function as separate operating segments and consist of the premium finance and indirect auto segments. Other specialty loan programs include finance receivables from the October 1999 Tricom acquisition, medical and municipal equipment leases through a division of Lake Forest Bank, mortgage broker warehouse lending through Hinsdale Bank, and commercial loans through the Community Advantage program at Barrington Bank, which provides lending, deposit and cash management services to condominium, homeowner and community associations.

Management continues to evaluate other specialized types of earning assets to assist with the deployment of deposit funds and to diversify the earning asset portfolio.

Premium finance receivables. The Company originates commercial premium finance receivables through FIFC, which currently sells them to the Banks and an unrelated third party; however, these receivables could be funded in the future through an asset securitization facility. All premium finance receivables, however financed, are subject to the Company's stringent credit standards, and substantially all such loans are made to commercial customers. The Company rarely finances consumer insurance premiums. At December 31, 2000, premium finance receivables totaled \$313.1 million and accounted for 20% of the Company's total loan portfolio. The balance reflects an increase of \$93.7 million, or 42.7%, from the \$219.3 million balance a year earlier. In addition to this growth, FIFC sold approximately \$225 million of new 2000 volume to an unrelated third party and recognized approximately \$3.8 million in gains from the sales of these loans. During 2000, loan originations totaled almost \$1.1 billion, an increase of \$387 million, or 56%,

from the prior year volume level. In July 1999, FIFC entered into a marketing arrangement with a third party pursuant to which FIFC would originate premium finance receivables referred pursuant to the agreement. In 2000, \$249 million of FIFC's total originations of premium finance receivables were a result of this agreement. However, due to high delinquencies associated with these accounts, FIFC began initiatives to substantially curtail the new volume generated from this firm. In addition to this arrangement, other business development efforts, including new product offerings and targeted marketing programs, have been the primary factors for the volume growth during 2000. Despite the curtailment of this relationship, the Company anticipates continued growth in premium finance receivables in 2001, in part due to market increases in insurance premiums. With continued growth expectations in 2001, it is probable that the Company will continue selling a portion of these new receivables to unrelated third parties.

Indirect auto loans. The Company finances fixed rate automobile loans sourced indirectly through an established network of unaffiliated automobile dealers located throughout the Chicago metropolitan area. These indirect auto loans are secured by new and used automobiles and generally have an original maturity of 36 to 60 months with the average actual maturity estimated to be approximately 35 to 40 months. The risk associated with this portfolio is diversified among many individual borrowers. The Company utilizes credit underwriting standards that management believes results in a high quality portfolio. The Company does not currently originate any significant level of sub-prime loans, which are made to individuals with impaired credit histories at generally higher 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. In 2000, in response to economic conditions and the competitive environment for this product, the Company began to reduce the level of new loans originated. However, the Company continues to maintain its relationships with the dealers and may increase its volume of originations when market conditions indicate it is prudent to do so. As of December 31, 2000, net indirect auto loans totaled \$203.6 million, a decrease of \$51.8 million, or 20.3%, from the previous year-end balance.

Tricom finance receivables. These receivables consist of high-yielding short-term accounts receivable financing to Tricom's clients in the temporary staffing industry located throughout the United States. Typically, Tricom also provides value-added out-sourced administrative services to many of these clients, such as data processing of pay-

rolls, billing and cash management services, which generates additional fee income. As of December 31, 2000, Tricom's finance receivables totaled \$20.4 million, an increase of \$2.8 million, or 15.8%, over the previous year-end balance.

Core Loan Categories

Commercial and commercial real estate loans, the largest loan category, totaled \$647.9 million at December 31, 2000 and increased \$162.2 million, or 33.4%, over the December 31, 1999 balance of \$485.8 million. This category comprised 42% of the loan portfolio at the end of 2000 and the increase over the prior year-end balance was mainly due to the combination of increased business development efforts and a continued healthy local economy.

Home equity loans totaled \$179.2 million as of December 31, 2000 and increased \$40.0 million, or 28.7%, when compared to the December 31, 1999 balance of \$139.2 million. This increase was mainly the result of increased line of credit usage and special marketing programs. Unused commitments on home equity lines of credit have increased approximately \$36.6 million, or 19.4%, over the balance at December 31, 1999 and totaled \$224.9 million at December 31, 2000.

Residential real estate loans totaled \$141.9 million at December 31, 2000, and increased \$30.9 million, or 27.8%, over the prior year-end balance. Mortgage loans held for sale are included in this category and totaled \$10.4 million and \$8.1 million at December 31, 2000 and 1999, respectively. The Company collects a fee on the sale of these loans into the secondary market to avoid the interest-rate risk associated with these loans, as they are predominantly long-term fixed rate loans. The remaining loans in this category are maintained within the Banks' loan portfolios and comprise mostly adjustable rate mortgage loans and shorter-term fixed rate mortgage loans.

Liquidity Management Assets. Funds that are not utilized for loan originations are used to purchase investment securities and short-term money market investments, to sell as federal funds and to maintain in interest-bearing deposits with banks. The balances of these assets fluctuate frequently based on deposit inflows and loan demand. As a result of anticipated significant growth in the development of de novo banks, it has been Wintrust's policy to generally maintain its securities portfolio in short-term, liquid, and diversified high credit quality securities at the Banks in order to facilitate the funding of quality loan demand as it emerges and to keep the Banks in

a liquid condition in the event that deposit levels fluctuate. The aggregate carrying value of these earning assets increased to \$357.9 million at December 31, 2000 from \$236.6 million at December 31, 1999. As a percent of total earning assets, total liquidity management assets increased to 18.7% at December 31, 2000 from 15.6% at December 31, 1999. A detail of the carrying value of the individual categories as of December 31, 2000 and 1999 is set forth in the following table (in thousands):

	2000	1999
Federal funds sold and securities purchased under resale agreements	\$ 164,641	28,231
Interest-bearing deposits with banks	182	2,547
Securities	193,105	205,795
Total liquidity management assets	\$ 357,928	236,573

Consolidated Results of Operations

Overview of the Company's profitability characteristics. The following discussion of Wintrust's results of operations requires an understanding that the Company's bank subsidiaries have all been started as new banks since December 1991 and have an average life of approximately five years. The Company's premium finance company, FIFC, began limited operations in 1991 as a start-up company. The Company's trust and investment company, WAMC, began operations in September 1998. Previously, the Company's Lake Forest Bank operated a trust department on a much smaller scale than WAMC. Tricom started operations as a new company in 1989 and was acquired by the Company in 1999. Accordingly, Wintrust is still a young Company that has a strategy of continuing to build its customer base and securing broad product penetration in each marketplace that it serves. The Company has expanded its banking offices from 5 in 1994 to 28 at the end of 2000, adding 4 new offices in 2000, including its seventh de novo bank, and three new offices in 1999. In addition, WAMC hired experienced trust professionals who are located within the banking offices of four of the seven subsidiary banks. These expansion activities have understandably suppressed faster, opportunistic earnings. However, as the Company matures and existing banks become more profitable, the start-up costs associated with future bank and branch openings and other new financial services ventures will not have as significant an impact on earnings. Additionally, the Company's more mature banks have several operating ratios that are either comparable to or better than peer group data, suggesting that as the Banks become more established, the overall earnings level will continue to increase.

Comparison of Results of Operations for the Years Ended December 31, 2000 and December 31, 1999

Earnings summary. Net income for the year ended December 31, 2000 totaled \$11.2 million and increased \$1.7 million, or 18.3%, over the prior year. Net income per diluted common share totaled \$1.25 in 2000 versus \$1.10 in 1999, an increase of \$0.15 per share, or 13.6%. The results for 2000 include the impact of a non-recurring pre-tax charge, net of a partial recovery, of \$4.3 million related to a fraudulent loan scheme perpetrated against the Company's premium finance subsidiary. Excluding this charge, net income for 2000 totaled \$13.8 million, an increase of \$4.3 million, or 46%, compared to 1999. On a per share basis, net income would have been \$1.54 per diluted common share, an increase of \$0.44 per share, or 40% compared to 1999.

Earnings results for 2000 reflect a \$21.8 million, or 37.8%, increase in net revenues fueled by a 27.8% increase in net interest income and an 86.6% increase in non-interest income. Net interest income increased \$13.3 million as a result of a 23.8% increase in average earning assets, particularly a 24.8% increase in average loans outstanding in 2000. Non-interest income increased \$8.5 million and was mainly the result of increases in administrative service revenues resulting from the October 1999 acquisition of Tricom, gains on the sales of premium finance receivables, growth in trust fee income and higher levels of deposit service charges. Excluding the non-recurring charge noted above, non-interest expense increased \$13.8 million. The increase in non-interest expense was due primarily to the growth and expansion realized by the Company during 2000, including the recognition of a full year of Tricom's expenses.

Net interest income. Net interest income totaled \$61.0 million for the year ended December 31, 2000, an increase of \$13.3 million, or 27.8%, when compared to 1999. This increase was primarily attributable to a 23.8% increase in average earning assets, including a 24.8% increase in average loans and an 18.8% increase in average securities and other liquidity management assets. Total average loans as a percentage of total average earning assets were 84.3% and 83.6% in 2000 and 1999, respectively. This improved loan proportion creates a higher net interest margin, as loans earn interest at a higher rate than the Company's other earning assets. The average yield on loans was 9.28% in 2000, an increase of 69 basis points over the 1999 yield. This increase is primarily a result of market rate increases throughout the year. Similarly, the rates paid on interest bearing deposits increased 70 basis points in 2000 compared to 1999. Net interest margin increased to 3.66% in 2000, compared to 3.54% in 1999. The core net interest margin, which excludes the

impact of the Company's Trust Preferred Securities, was 3.91% in 2000, an increase of 16 basis points over the core margin of 3.75% in 1999. These margin increases were primarily the result of solid growth in loans in 2000 and effective deposit pricing strategies. Please refer to the previous sections of this discussion entitled "Average Balance Sheets, Interest Income and Expense, and Interest Rate Yields and Costs" and "Changes in Interest Income and Expense" for detailed tables of information and further discussion of the components of net interest income and the impact of rate and volume changes.

Provision for possible loan losses. The provision for possible loan losses totaled \$5.1 million for the year ended December 31, 2000, a \$1.3 million increase from the total of \$3.7 million in 1999. The higher provision in 2000 was primarily a result of a 22% growth in the loan portfolio and a slightly higher level of net charge-offs as a percentage of average loans in 2000 compared to 1999. Management believes the allowance for possible loan losses is adequate to provide for losses inherent in the portfolio. There can be no assurances, 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 regulatory environment, the level of past-due and non-performing loans, and other factors.

Non-interest income. For the year ended December 31, 2000, total non-interest income was \$18.3 million and increased \$8.5 million, or 86.6%, when compared to \$9.8 million in 1999.

The most significant increase in non-interest income was a \$3.4 million increase in the administrative services revenue generated by Tricom. Tricom was acquired by the Company in October 1999. The acquisition was accounted for as a purchase and as a result, Tricom's administrative revenues for 1999 are included in the Company's financial statements from the date of acquisition. Therefore, the revenues for 2000 of \$4.4 million compare to \$996,000 for a 3-month period of 1999. Tricom's administrative services revenue was the Company's largest source of non-interest income in 2000. 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. Tricom also earns interest and fee income from providing short-term accounts receivable financing to this same client base.

Gains from the sale of premium finance receivables to an unrelated third party resulted in the recognition of \$3.8

million in gains, reflecting an increase of \$2.8 million in gains over the 1999 amount of \$1.0 million. During 2000, the Company sold approximately \$225 million of premium finance receivables, compared to \$69 million in 1999. Wintrust began selling the receivables during the second quarter of 1999 as the level of originations outpaced the Company's capacity to retain such loans within the Banks' loan portfolios. Consistent with Wintrust's strategy to be asset-driven, it is probable that sales of premium finance 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.

Fees on mortgage loans sold include income from originating and selling residential real estate loans into the secondary market. For the year ended December 31, 2000, these fees totaled \$2.9 million, a decline of \$295,000, or 9.2%, from the 1999 total of \$3.2 million. This decline was due to significantly lower levels of mortgage origination volumes, particularly refinancing activity, caused by the higher mortgage interest rate environment in 2000 compared to 1999.

Service charges on deposit accounts totaled \$1.9 million for the year ended December 31, 2000 and increased \$374,000, or 23.9%, when compared to the 1999 total of \$1.6 million. This increase was due mainly to a higher deposit base, up 24.8%, and a larger number of accounts at both the mature banks and the newer de novo banks. The majority of deposit service charges relate to customary fees on overdrawn accounts and returned items. The level of service charges received is substantially below peer group levels as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

Trust fees totaled \$2.0 million for the year ended December 31, 2000, an increase of \$800,000, or 68.3%, over 1999. This increase was the result of new business development efforts generated by a larger staff of experienced trust officers that were added in late 1998 with the formation of WAMC. 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. This overhead will consist primarily of the salaries and benefits of experienced trust professionals. It is anticipated that trust fees will eventually increase to a level sufficient to cover this overhead within the next two years.

Other non-interest income totaled \$3.3 million for the year ended December 31, 2000 and increased \$1.5 million, or 79.6%, over the 1999 total of \$1.8 million. This increase was due primarily to a \$866,000 increase in rental income from equipment leased through the MMF leasing division of Lake Forest Bank, and a \$441,000 increase in premium income from certain call option transactions. The call option transactions were designed to increase the total return associated with holding certain investment securities.

Non-interest expense. For the year ended December 31, 2000, total non-interest expense was \$57.8 million and increased \$18.1 million, or 45.7%, over 1999. Excluding the non-recurring \$4.3 million pre-tax charge reported in the current year as a result of the fraud perpetrated against the Company's premium finance subsidiary, total non-interest expense increased \$13.8 million, or 34.8%, over 1999. The increases in non-interest expense were predominantly caused by the continued growth and expansion of the Banks, WAMC and FIFC, as well as a full year of operating expense related to the October 1999 acquisition of Tricom. During 2000, the Company added four new banking locations, including the opening of its seventh de novo bank. Tricom's non-interest expenses in 2000 were \$5.4 million, compared to \$1.2 million in 1999, which reflected the 3-month period from the date the Company acquired Tricom in October 1999. Since December 31, 1999, total deposits have grown 24.8% and total loan balances have risen 21.9%, requiring higher levels of staffing and other operating costs, such as occupancy, equipment, advertising and data processing, to both attract and service the larger customer base.

Despite the growth and the related increases in many of the non-interest expense categories, Wintrust's net overhead ratio (non-interest expense, excluding the non-recurring fraud charge, less non-interest income to total average assets) declined from 2.00% in 1999 to 1.90% in 2000. The Company is now operating in its previously stated performance goal range of 1.50% - 2.00%. This is a key indicator of operating efficiency and the Company continues to compare favorably with regard to this ratio to its peer group based on the most recent peer group data.

Salaries and employee benefits is the largest component of non-interest expense, accounting for nearly half of the total in 2000. For the year ended December 31, 2000, salaries and employee benefits totaled \$28.1 million, an increase of \$7.3 million, or 35.1%, from the 1999 total of \$20.8 million. Approximately \$2.1 million of the increase

relates to the inclusion of Tricom's expenses for a full year in 2000 compared to a three-month period in 1999. Additionally, approximately \$0.3 million related to the opening of the Company's seventh de novo bank in Northbrook, Illinois. The remaining increase in 2000 was directly caused by higher staffing levels necessary to support the continued growth of the Company's balance sheet and fee-based businesses. As previously noted, during 2000 deposits increased 24.8% and loans increased 21.9%. In addition, the Company added four new banking locations, including the opening of its seventh de novo bank, continued to increase the staff of WAMC in accordance with its goal of growing and developing the trust and investment business, and increased staff at FIFC to support its growth in the premium finance business.

Equipment expense, which includes furniture, equipment and computer software depreciation and repairs and maintenance costs, totaled \$5.1 million for year ended December 31, 2000, an increase of \$1.9 million, or 59.5%, over the 1999 total. This increase was caused mainly by higher levels of depreciation expense related to the opening of new facilities, the expansion of existing facilities, the acquisition of Tricom and other growth as discussed earlier.

Net occupancy expenses for the year ended December 31, 2000 increased \$1.3 million, or 42.2%, to \$4.3 million as compared to \$3.0 million for 1999. This increase was due mainly to the opening of four additional facilities in 2000 and the October 1999 acquisition of Tricom.

Data processing expenses totaled \$2.8 million for the year ended December 31, 2000, an increase of \$668,000, or 30.8%, when compared to 1999. This increase was due primarily to the additional transactional charges related to the larger deposit and loan portfolios. Average loan balances increased 24.8% and average deposit balances increased 23.2% in 2000 compared to 1999.

Advertising and marketing expenses totaled \$1.3 million for the year ended December 31, 2000, compared to \$1.4 million in 1999. Marketing costs are necessary to attract loans and deposits at the newly chartered banks, to announce new branch openings, as well as the expansion of trust and investment services through WAMC, and to continue to promote community based products at the more established locations. The level of marketing expenditures declined as management has begun to more effectively utilize targeted marketing programs in the more mature market areas.

Professional fees, which includes legal, audit and tax fees, external loan review costs and normal regulatory exam assessments, totaled \$1.7 million for the year ended December 31, 2000, an increase of \$478,000, or 39.7%, from the 1999 total. The increase is attributable to the general growth in the Company's total assets and fee-based businesses.

Amortization of intangibles expense totaled \$713,000 for the year ended December 31, 2000 as compared to \$251,000 for the same period in 1999. The goodwill and other intangibles primarily relate to the October 1999 Tricom acquisition and the mid-1998 acquisition of the MMF leasing division at Lake Forest Bank. The increase in 2000 reflects the inclusion of a full year of amortization for the Tricom acquisition.

In 2000, the Company recorded a pre-tax charge of \$4.3 million as a result of a fraud perpetrated against the Company's premium finance subsidiary. This charge includes approximately \$300,000 of professional fees associated with the Company's pursuit of recovery of the loss as well as a partial recovery of \$200,000. The Company has commenced legal action against the parties involved and is vigorously pursuing all avenues of recovery. The amount and timing of future recoveries, if any, are not known at this time.

Other non-interest expenses for the year ended December 31, 2000 totaled \$9.5 million and increased \$1.8 million, or 23.7%, over the prior year. This category includes loan expenses, correspondent bank service charges, insurance, postage, stationery and supplies, telephone, directors fees, and other sundry expenses. This increase was generally caused by the Company's expansion activities and the Tricom acquisition, as discussed earlier, including increased costs from the origination and servicing of a larger base of deposit and loan accounts.

Income taxes. The Company recorded income tax expense of \$5.3 million for the year ended December 31, 2000 as compared to \$4.7 million in 1999. The effective tax rate in 2000 was 32.2%, compared to 33.4% in 1999. Please refer to Note 12 to the Consolidated Financial Statements for further discussion and analysis of the Company's tax position.

Comparison of Results of Operations for the Years Ended December 31, 1999 and December 31, 1998

Earnings summary. Net income for the year ended December 31, 1999 totaled \$9.4 million and increased \$3.2 million, or 51.0%, over the prior year. Net income per basic common share totaled \$1.14 in 1999 versus

\$0.77 in 1998, an increase of \$0.37 per share, or 48.1%. On a diluted basis, net income per common share totaled \$1.10 in 1999 as compared to \$0.74 in 1998, an increase of \$0.36 per share, or 48.6%. Excluding the impact of the 1998 non-recurring charge mentioned later in the non-interest expense section, the increase in net income for the year ended December 31, 1999 would have been \$2.6 million, or 37.5%, over 1998. On a diluted basis, net income per common share would have increased \$0.29, or 35.8%.

The increase in net income during 1999 was most favorably impacted by a \$11.0 million increase in net interest income that primarily resulted from a higher earning asset base, particularly from growth in the loan portfolio. A \$1.7 million increase in non-interest income also contributed to higher 1999 earnings and was mainly the result of gains from the sale of premium finance receivables, higher levels of deposit service charges, growth in trust fee income and the addition of administrative service revenues resulting from the October 1999 acquisition of Tricom. Partially offsetting these increases was a \$2.4 million decline in fees from the sale of mortgage loans into the secondary market due to significantly lower levels of mortgage origination volumes, particularly refinancing activity, caused by increases in mortgage interest rates. A \$3.8 million increase in total non-interest expense during 1999 also offset a portion of the income growth, and was due primarily to the growth and expansion experienced by the Company during 1999 coupled with the Tricom acquisition.

A significant factor that contributed to the 1998 net income was the recognition of income tax benefits from the realization of previously unvalued tax loss benefits. Due to the 1998 recognition of tax benefits, the Company's true growth in profitability during 1999 has been masked. Therefore, a comparison of pre-tax operating income is more representative of the Company's improvement in operating results. On a pre-tax basis, operating income totaled \$14.2 million in 1999, an increase of \$8.4 million, or 148%, over 1998, exclusive of the previously mentioned 1998 non-recurring charge. This significant improvement in operating results was primarily the result of enhanced performance of the Company's more established subsidiaries and the fourth quarter 1999 acquisition of Tricom.

Net interest income. Net interest income totaled \$47.7 million for the year ended December 31, 1999, an increase of \$11.0 million, or 29.8%, when compared to 1998. This increase was primarily attributable to a 26.2% increase in average earning assets, including a 33.8% increase in average loans and a 2.1% decline in average securities

and other liquidity management assets. Total average loans as a percentage of total average earning assets increased to 83.6% in 1999 from 78.9% in 1998 as a result of solid loan growth. This improved loan proportion creates a higher net interest margin, as loans earn interest at a higher rate than the Company's other earning assets. The net interest margin increased from 3.43% in 1998 to 3.54% in 1999. The core net interest margin, which excludes the impact of the 9.00% Cumulative Trust Preferred Securities offering, was 3.75% in 1999, an increase of 25 basis points over the core margin of 3.50% in 1998. These margin increases were the result of a decline in overall funding cost rates and loan growth. The total deposit funding cost rate declined 39 basis points from 1998 and was 4.73% for the year ended December 31, 1999. This improvement was due mainly to less aggressive deposit pricing in the markets of the more mature banks that have already established significant market share. The average earning asset yield declined to 8.08% in 1999 as compared to 8.19% in 1998, due mostly to the 31 basis point decline in the average loan yield to 8.59% in 1999. This decline was due primarily to a lower average prime lending rate of 8.00% in 1999 versus an average prime lending rate of 8.36% in 1998. Please refer to the previous sections of this discussion entitled "Average Balance Sheets, Interest Income and Expense, and Interest Rate Yields and Costs" and "Changes in Interest Income and Expense" for detailed tables of information and further discussion of the components of net interest income and the impact of rate and volume changes.

Provision for possible loan losses. The provision for possible loan losses totaled \$3.7 million for the year ended December 31, 1999, a \$584,000 decline from the total of \$4.3 million in 1998. The higher provision in 1998 was necessary to cover increased loan charge-offs that occurred at one banking office in early 1998.

Non-interest income. For the year ended December 31, 1999, total non-interest income was \$9.8 million and increased \$1.7 million, or 21.5%, when compared to \$8.1 million in 1998.

The October 1999 acquisition of Tricom added approximately \$1.0 million of administrative services revenue to total non-interest income in 1999. 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.

During 1999, approximately \$69 million of premium finance receivables were sold by FIFC to an unrelated third party and resulted in the recognition of approxi-

mately \$1.0 million in gains. There were no sales of premium finance receivables in 1998.

Fees on mortgage loans sold, the largest category of non-interest income in 1999, includes income from originating and selling residential real estate loans into the secondary market. For the year ended December 31, 1999, these fees totaled \$3.2 million, a decline of \$2.4 million, or 42.4%, from the 1998 total of \$5.6 million. This decline was due to significantly lower levels of mortgage origination volumes, particularly refinancing activity, caused by the increases in mortgage interest rates.

Service charges on deposit accounts totaled \$1.6 million for the year ended December 31, 1999 and increased \$497,000, or 46.7%, when compared to the 1998 total of \$1.1 million. This increase was due mainly to a higher deposit base and a larger number of accounts at both the mature banks and the newer de novo banks.

Trust fees totaled \$1.2 million for the year ended December 31, 1999, an increase of \$383,000, or 48.6%, over 1998. This increase was the result of new business development efforts generated by a larger staff of experienced trust officers that were added in late 1998 with the formation of WAMC.

Other non-interest income totaled \$1.8 million for the year ended December 31, 1999 and increased \$1.2 million, or 181%, over the 1998 total of \$653,000. This increase was due primarily to \$508,000 in premium income from certain call option transactions and a \$355,000 increase in rental income from equipment leased through the MMF leasing division of Lake Forest Bank, a small business that was acquired in mid-1998. The call option transactions were designed to utilize the excess capital at certain banks, increase the total return associated with holding certain securities as earning assets, and yield additional fee income.

Non-interest expense. For the year ended December 31, 1999, total non-interest expense was \$39.7 million and increased \$3.8 million, or 10.7%, over 1998. Excluding the 1998 non-recurring \$1.0 million pre-tax charge related to severance amounts due to the Company's former Chairman and Chief Executive Officer and certain related legal fees, total non-interest expense would have increased \$4.8 million, or 13.9%, over 1998. The increases in non-interest expense were predominantly caused by the continued growth and expansion of the Banks, as discussed in earlier sections of this analysis, the development of WAMC and the October 1999 acquisition of Tricom. For example, the increase in total operating expenses from 1998 to 1999 for Barrington Bank and Crystal Lake Bank were \$485,000 and \$600,000,

respectively, and the September 1998 start-up of WAMC added \$1.5 million to total 1999 non-interest expense when compared to the 1998 total. In addition, the October 1999 acquisition of Tricom added \$1.2 million to 1999 non-interest expense. From December 31, 1998 to December 31, 1999, total deposits grew 19.1% and total loan balances rose 28.8%, requiring higher levels of staffing and other operating costs, such as occupancy, equipment, advertising and data processing, to both attract and service the larger customer base.

Despite the growth and the related increases in many of the non-interest expense categories, Wintrust's ratio of non-interest expense to total average assets declined from 3.04% in 1998 to 2.65% in 1999. In addition, the net overhead ratio for 1999 declined to 2.00% as compared to the 1998 ratio of 2.36%.

Salaries and employee benefits for the year ended December 31, 1999 totaled \$20.8 million, an increase of \$2.8 million, or 15.3%, from the 1998 total, excluding the impact of the 1998 non-recurring severance charge. This increase was directly caused by higher staffing levels necessary to support the continued growth of the Banks, the late 1998 hiring of several experienced trust professionals in conjunction with the start-up of WAMC, approximately \$600,000 related to the October 1999 acquisition of Tricom, and normal salary increases. For the year ended December 31, 1999, salaries and employee benefits as a percent of average assets was 1.39% versus 1.53% in 1998, exclusive of the non-recurring charge.

Equipment expense, which includes furniture, equipment and computer software depreciation and repairs and maintenance costs, totaled \$3.2 million for year ended December 31, 1999, a \$978,000, or 44.0%, increase over the 1998 total. This increase was caused mainly by higher levels of depreciation expense related to the opening of new facilities, the expansion of existing facilities, the acquisition of Tricom and other growth as discussed earlier.

Net occupancy expenses for the year ended December 31, 1999 increased \$556,000, or 22.8%, to \$3.0 million as compared to \$2.4 million for 1998. This increase was due mainly to the opening of three additional facilities in 1999, the expansion of the Lake Forest Bank and corporate office facilities, and the acquisition of Tricom.

Data processing expenses totaled \$2.2 million for the year ended December 31, 1999, an increase of \$493,000, or 29.4%, when compared to 1998. This increase was due primarily to the additional transactional charges related to the larger deposit and loan portfolios, which increased, on an average basis, 23.9% and 33.8%, respectively, in 1999 when compared to 1998.

Advertising and marketing expenses totaled \$1.4 million for the year ended December 31, 1999, a decline of \$210,000, or 13.0%, when compared to 1998. In 1998, higher levels of marketing costs were necessary to attract loans and deposits at the newly chartered Crystal Lake Bank and Barrington Bank and to announce the expansion of trust and investment services through WAMC.

Professional fees, which includes legal, audit and tax fees, external loan review costs and normal regulatory exam assessments, totaled \$1.2 million for the year ended December 31, 1999, a decline of \$451,000, or 27.3%, from the 1998 total. This decline was caused by a higher level of fees in 1998 related to certain non-performing loan work-outs and approximately \$100,000 in legal fees related to the non-recurring severance charge.

Amortization of intangibles expense totaled \$251,000 for the year ended December 31, 1999 as compared to \$120,000 for the same period in 1998. The \$131,000 increase was due to goodwill and other intangibles amortization from the October 1999 Tricom acquisition and amortization expense from the mid-1998 acquisition of MMF.

Other non-interest expenses for the year ended December 31, 1999 totaled \$7.7 million and increased \$484,000, or 6.7%, over the prior year. This category includes loan expenses, correspondent bank service charges, insurance, postage, stationery and supplies, telephone, directors fees, organizational cost amortization, and other sundry expenses. In 1998, one subsidiary bank recorded a \$600,000 operations loss. Without this prior year expense, the 1999 increase would have been \$1.1 million, or 16.5%. This increase was generally caused by the Company's expansion activities and the Tricom acquisition, as discussed earlier, including increased costs from the origination and servicing of a larger base of deposit and loan accounts.

Income taxes. The Company recorded income tax expense of \$4.7 million for the year ended December 31, 1999 as compared to \$1.5 million of income tax benefits in 1998. Prior to the September 1, 1996 merger transaction that formed Wintrust, each of the merging companies, except Lake Forest Bank, had net operating losses and, based upon the start-up nature of the organization, there was not sufficient evidence to justify the full realization of the net deferred tax assets generated by those losses. Accordingly, during 1996, certain valuation allowances were established against deferred tax assets. As the entities became profitable, the recognition of previously unvalued tax loss benefits became available, subject to certain limitations, to offset tax expense generated from profitable operations. The income tax benefit

recorded in 1998 reflected management's determination that certain of the subsidiaries' earnings history and projected future earnings were sufficient to make a judgment that the realization of a portion of the net deferred tax assets not previously valued was more likely than not to occur. Accordingly, unlike prior periods, the Company's results in 1999 and future years will not benefit significantly from the recognition of net operating loss carryforwards. The value of prior net operating losses recognized for financial statement reporting purposes for 1999 and 1998 was approximately \$460,000 and \$3.4 million, respectively.

Operating Segment Results

As described in Note 20 to the 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. The net interest income 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.

The banking segment's net interest income for the year ended December 31, 2000 totaled \$57.2 million as compared to \$44.3 million for the same period in 1999, an increase of \$12.9 million, or 29.2%. The increase in net interest income for 1999 when compared to the total of \$34.2 million in 1998 was \$10.0 million, or 29.3%. These increases were the direct result of growth in the loan portfolio and an improved net interest margin, as discussed in the Consolidated Results of Operations section. The banking segment's non-interest income totaled \$8.6 million in 2000, an increase of \$1.5 million, or 20.8%, when compared to the 1999 total of \$7.1 million. This increase was due primarily to increases in equipment rental income of \$866,000, call option premium income of \$441,000 and service charges on deposits of \$374,000 and was offset partially by a decrease of \$295,000 in fees from the sale of residential mortgage loans. In 1999, noninterest income for the banking segment declined \$560,000, compared to the prior year amount of \$7.7 million. The decline was due to a \$2.4 million reduction in fees from the sale of residential mortgage loans and was partially offset by increases in deposit service

charges, call option premium and leased equipment rental income. The reduction in mortgage fees was mainly caused by increases in mortgage interest rates, which significantly lowered mortgage origination volumes, particularly refinancing activity. The banking segment's net after-tax profit totaled \$14.8 million for the year ended December 31, 2000, an increase of \$4.5 million, or 43.6%, as compared to the 1999 total of \$10.3 million. The total segment profit in 1999 increased \$5.2 million, or 100.4%, over the \$5.1 million that was recorded in 1998. These after-tax segment profit increases were primarily the result of higher levels of net interest income, as noted above, and the general continued maturation and related profitability improvements of the more established de novo bank subsidiaries.

Net interest income for the premium finance segment totaled \$14.8 million for the year ended December 31, 2000 and increased \$2.2 million, or 17.3%, over the \$12.6 million in 1999. This increase resulted from higher levels of premium finance receivables produced from various business development efforts and other new product offerings and targeted marketing programs and a higher interest rate environment in 2000 compared to 1999. In 1999, net interest income for the premium finance segment increased \$2.9 million, or 30.2%, over the 1998 total of \$9.7 million due to new programs and targeted marketing efforts. The premium finance segment non-interest income for the year ended December 31, 2000 totaled \$3.8 million, an increase of \$2.8 million, or 270.9%, over the \$1.0 million recorded in 1999. Noninterest income for this segment reflects the gains from the sale of premium finance receivables to an unrelated third party, as more fully discussed in the Consolidated Results of Operations section. The Company began selling premium finance receivables to an unrelated third party in the second quarter of 1999. Net after-tax profit of the premium finance segment totaled \$2.6 million for the year ended December 31, 2000, as compared to \$4.3 million in 1999. The decrease of segment profits of \$1.7 million primarily relates to the non-recurring charge related to a fraud perpetrated by one independent insurance agent. The charge, net of a partial recovery and taxes, was \$2.6 million. Excluding this one-time charge, the premium finance segment profit in 2000 increased \$922,000, or 21.6%, from the prior year amount. The premium finance segment profit in 1999 increased \$2.3 million from the 1998 amount of \$2.0 million. The improvements in profitability during both 2000 (excluding the one-time charge) and 1999 were due mainly to the combination of higher volumes and the related sales to third parties, and the implementation of upgraded systems.

Net interest income for the indirect auto segment totaled \$6.5 million in 2000, a \$1.7 million, or 20.9%, decrease from 1999. The decrease was primarily a result of higher funding costs in 2000 coupled with a slightly lower level of average outstanding loans and slightly lower yields on such loans. In 1999, total net interest income of \$8.2 million increased \$2.6 million, or 46.6%, over the 1998 total of \$5.6 million, due to a 42.7% increase in average outstanding loans. The indirect auto segment after-tax profit totaled \$1.6 million for the year ended December 31, 2000, a decrease of \$1.1 million, or 40.4%, from the 1999 total of \$2.7 million. The decrease in the segment's profits in 2000 is directly related to the decrease in net interest income noted above. In 1999, after-tax segment profit increased \$830,000, or 44.9%, over the 1998 total and was a result of the higher average outstanding balances in 1999 as compared to 1998.

The Tricom segment's results of operations began to be included in the Company's consolidated earnings as of October 1, 1999, the effective date of the Company's acquisition of Tricom. Net interest income for Tricom totaled \$3.6 million in 2000, compared to \$826,000 for 1999. Non-interest income for 2000 was \$4.5 million, compared to \$1.0 million for 1999. Tricom's segment profit for 2000 was \$1.6 million, compared to \$340,000 for 1999. The increases are all a result of a full year of operations in 2000 versus three months in 1999.

The trust segment relates to the operations of WAMC, a trust and investment subsidiary that began operations on September 30, 1998. Trust segment results prior to the formation of WAMC relate to the operations of the trust department of Lake Forest Bank and, accordingly, certain expenses of the bank were allocated as indirect costs to the trust segment. In addition to trust and investment management fees that are recorded as non-interest income, and in connection with internal profitability analysis, the trust segment includes net interest income related to certain trust account balances that are maintained with the Lake Forest Bank. This net interest income totaled \$508,000 for 2000 as compared to \$469,000 in 1999 and \$359,000 in 1998. Trust fee income totaled \$2.0 million in 2000, as compared to \$1.2 million in 1999, an increase of \$800,000, or 68.3%, due mainly to new business development efforts from a larger staff of experienced trust officers. The increase in 1999 when compared to the 1998 total of \$788,000 was \$383,000, or 48.6%. The trust segment after-tax loss totaled \$413,000 for the year ended December 31, 2000 as compared to losses of \$559,000 in 1999 and \$189,000 in 1998. The losses in each of these years were due to the start-up of WAMC and the related salary and employee benefit costs of hiring experienced trust professionals. See the Overview and Strategy section of

this discussion for further explanation of the trust segment expansion through WAMC.

Asset-Liability Management

As a continuing part of its financial strategy, the Company attempts to manage the impact of fluctuations in market interest rates on 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.

Interest rate risk arises when the maturity or repricing periods and interest rate indices of the interest earning assets, interest bearing liabilities, and off-balance sheet financial instruments are different. It is the risk that changes in the level of market interest rates will result in disproportionate changes in the value of, and the net earnings generated from, the Company's interest earning assets, interest bearing liabilities and off-balance sheet financial instruments. The Company continuously monitors not only the organization's current net interest margin, but also the historical trends of these margins. In addition, management 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 is identified, management then would take appropriate actions with its asset-liability structure to counter these potentially adverse situations. Please refer to earlier sections of this discussion and analysis for further discussion of the net interest margin.

As the Company's primary source of interest bearing liabilities is customer deposits, the Company's ability to manage the types and terms of such deposits may be somewhat limited by customer preferences and local competition in the market areas in which the Company operates. The rates, terms and interest rate indices of the Company's interest earning assets result primarily from the Company's strategy of investing in loans and short-term securities that permit the Company to limit its exposure to interest rate risk, together with credit risk, while at the same time achieving an acceptable interest rate spread.

One method utilized by financial institutions to limit interest rate risk is to enter into derivative financial instru-

ments. 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 December 31, 2000, the Company had \$400 million notional principal amount of interest rate cap contracts outstanding that mature between January 2001 and January 2003. These contracts were purchased to mitigate the effect of rising rates on certain floating rate deposit products. During 2000, the Company also entered into certain covered call option transactions related to certain securities held by the Company. These transactions were designed to increase the total return associated with holding these securities as earning assets. The Company may enter into other derivative financial instruments in the future to effectively manage its interest rate risk.

The Company's exposure to interest rate risk is reviewed on a regular basis by management and the boards of directors of the Banks and the Company. The objective is to measure the effect on net income and to adjust balance sheet and off-balance sheet instruments to minimize the inherent risk while at the same time maximize income. Tools used by management include a standard gap report and a rate simulation model whereby changes in net interest income are measured in the event of various changes in interest rate indices. An institution with more assets than liabilities repricing over a given time frame is considered asset sensitive and will generally benefit from rising rates, and conversely, a higher level of repricing liabilities versus assets would be beneficial in a declining rate environment. The following table illustrates the Company's estimated interest rate sensitivity and periodic and cumulative gap positions as of December 31, 2000 (dollars in thousands):

	Time to Maturity or Repricing				Total
	0-90 Days	91-365 Days	1-5 Years	Over 5 Years	
Rate sensitive assets (RSA)	\$ 963,226	392,543	462,848	284,189	2,102,806
Rate sensitive liabilities (RSL)	1,046,411	501,451	150,472	404,472	2,102,806
Cumulative gap (GAP = RSA - RSL) ⁽¹⁾	(83,185)	(192,093)	120,283		
Cumulative RSA/RSL ⁽¹⁾	0.92	0.88	1.07		
RSA/Total assets	0.46	0.19	0.22		
RSL/Total assets ⁽¹⁾	0.50	0.24	0.07		
Cumulative GAP/Total assets ⁽¹⁾	(4)%	(9)%	6%		
Cumulative GAP/Cumulative RSA ⁽¹⁾	(9)%	(14)%	7%		

(1) The GAP amount and related ratios do not reflect \$400 million notional principal amount of interest rate caps, as discussed in the following paragraph.

While the gap position illustrated above is a useful tool that management can assess for general positioning of the Company's and its subsidiaries' balance sheets, 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 December 31, 2000, the Company had \$400 million notional principal amount of interest rate caps that reprice on a monthly basis. These interest rate caps, which mature between January 2001 and January 2003, were purchased to mitigate the effect of rising rates on certain floating rate deposit 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 slightly 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 that 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 the 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 December 31, 2000 and December 31, 1999, is as follows:

	+200 Basis Points	-200 Basis Points
Percentage change in net interest income due to an immediate 200 basis point shift in the yield curve:		
December 31, 2000	5.0%	(1.6%)
December 31, 1999	2.9%	0.1%

Liquidity and Capital Resources

The following table reflects various measures of the Company's capital at December 31, 2000 and 1999:

	December 31,	
	2000	1999
Average equity-to-average asset ratio	5.2%	5.4%
Leverage ratio	6.3	7.1
Tier 1 risk-based capital ratio	6.9	7.8
Total risk-based capital ratio	8.4	8.4
Dividend payout ratio	8.0	0.0

The Company's consolidated leverage ratio (Tier 1 capital/total fourth quarter average assets less intangibles) was 6.3% at December 31, 2000, which is in excess of the "well capitalized" regulatory level. Consolidated Tier 1 and total risk-based capital ratios were 6.9% and 8.4%, respectively. Based on guidelines established by the Federal Reserve Bank, a bank holding company is required to maintain a ratio of Tier 1 capital to risk-based assets of 4.0% and a ratio of total capital to risk-based assets of 8.0% in order to be deemed "adequately capitalized."

The Company's principal source of funds at the holding company level are from dividends from its subsidiaries, borrowings on its revolving credit line with an unaffiliated bank, proceeds from trust preferred securities offerings or additional equity offerings. Refer to Notes 9 and 10 of the Consolidated Financial Statements for further information on the Company's revolving credit line and Trust Preferred Securities offering, respectively. In November 1999, the Company completed a private placement of 352,942 shares of common stock, which were priced at market, and received net proceeds of approximately \$6.0 million. In June 2000, the Company issued \$20.0 million of 10.50% Trust Preferred Securities in a public offering.

Banking laws impose restrictions upon the amount of dividends which can be paid to the holding company by the Banks. Based on these laws, the Banks could, subject to minimum capital requirements, declare dividends to the Company without obtaining regulatory approval in an amount not exceeding (a) undivided profits, and (b) the amount of net income reduced by dividends paid for the current and prior two years. In addition, the payment of dividends may be restricted under certain financial covenants in the Company's revolving credit line agreement. At January 1, 2001, subject to minimum capital requirements at the Banks, approximately \$11.2 million was available as dividends from the Banks without prior regulatory approval. During 2000 and 1998, dividends paid by the subsidiaries to the holding company totaled \$16 million and \$8.25 million, respectively. There were

no dividends paid by the subsidiaries to the holding company in 1999.

In January 2000, the Company's Board of Directors approved the first semi-annual cash dividend on its common stock. The dividend in the amount of \$0.05 per share was paid on February 24, 2000 to shareholders of record as of February 10, 2000. In July 2000, the second semi-annual dividend for the same amount was approved and paid on August 24, 2000 to shareholders of record as of August 10, 2000. In January 2001, the Company's Board of Directors approved a 40% increase in its semi-annual cash dividend to \$0.07 per share. The dividend was paid on February 22, 2001 to shareholders of record as of February 8, 2001. Additionally, in January 2000, the Board of Directors approved a stock repurchase program authorizing the purchase of up to 300,000 shares of common stock, from time to time, in open market or privately negotiated transactions. The shares authorized to be repurchased represent approximately 3% of the Company's currently outstanding shares. Through December 31, 2000, the Company repurchased a total of 242,300 shares at an average price of \$15.94 per share.

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

Core deposits are the most stable source of liquidity for community banks due to the nature of long-term relationships generally established with depositors and the security of deposit insurance provided by the FDIC. Core deposits are generally defined in the industry as deposits with balances less than \$100,000. At December 31, 2000, approximately 60% of the Company's total assets were funded by core deposits with balances less than \$100,000, as compared to approximately 61% at the end of 1999. The remaining assets were funded by other funding sources such as deposits with balances in excess of \$100,000, public fund deposits, borrowed funds, and the capital of the Banks. Due to the Company's strategy of targeting high net worth individuals, the Company believes that many of its deposits with balances in excess of \$100,000 are also a stable source of funds.

Liquid assets refers to money market assets such as Federal funds sold and interest bearing deposits with banks, as well as available-for-sale debt securities and held-to-maturity securities with a remaining maturity less than one year. Net liquid assets represent the sum of the liquid asset categories less the amount of assets pledged to secure public funds. At December 31, 2000, net liquid assets totaled approximately \$164.0 million, compared to approximately \$57.2 million at December 31, 1999.

The Banks routinely accept deposits from a variety of municipal entities. Typically, these municipal entities require that banks pledge marketable securities to collateralize these public deposits. At December 31, 2000 and 1999, the Banks had approximately \$116.8 million and \$139.2 million, respectively, of securities collateralizing such public deposits and other short-term borrowings. Deposits requiring pledged assets are not considered to be core deposits, and the assets that are pledged as collateral for these deposits are not deemed to be liquid assets.

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

Credit Risk and Asset Quality

Management believes that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. Control of loan quality is continually monitored by management and is reviewed by the Banks' Board of Directors and their Credit Committees on a monthly basis. Independent external review of the loan portfolio is provided by the examinations conducted by regulatory authorities and an independent loan review performed by an entity engaged by the Board of Directors. Additions to the allowance for possible loan losses, which are charged to earnings through the provision for possible loan losses, are determined based on a variety of factors, including actual charge-offs during the year, historical loss experience, delinquent and other potential problem loans, and an evaluation of economic conditions in the market area.

Summary of Loan Loss Experience. The following table summarizes the changes in the allowance for possible loan losses for the periods shown (dollars in thousands).

	2000	1999	1998	1997	1996
Balance at beginning of year	\$ 8,783	7,034	5,116	3,636	2,763
Total loans charged-off:					
Core banking loans	(1,050)	(837)	(1,636)	(448)	(190)
Premium finance	(1,294)	(456)	(455)	(1,126)	(207)
Indirect auto	(1,339)	(1,156)	(646)	(300)	(123)
Tricom finance receivables	(73)	-	-	-	-
Discontinued leasing operations	-	-	-	(241)	(583)
Total loans charged-off	(3,756)	(2,449)	(2,737)	(2,115)	(1,103)
Total recoveries	351	310	358	191	41
Net loans charged-off	(3,405)	(2,139)	(2,379)	(1,924)	(1,062)
Provision for possible loan losses	5,055	3,713	4,297	3,404	1,935
Acquired allowance for possible loan losses	-	175	-	-	-
Balance at end of year	\$ 10,433	8,783	7,034	5,116	3,636
Year-end total loans, net of unearned income	\$ 1,558,020	1,278,249	992,062	712,631	492,548
Average total loans, net of unearned income	1,416,419	1,135,200	848,344	620,801	347,076
Allowance as percent of year-end total loans	0.67%	0.69%	0.71%	0.72%	0.74%
Net loans charged-off to average total loans	0.24	0.19	0.28	0.31	0.31
Net loans charged-off to the provision for possible loan losses	67.36	57.61	55.36	56.52	54.88

Net charge-offs of core banking loans for the year ended December 31, 2000 totaled \$992,000 as compared to a total of \$795,000 for 1999. Net charge-offs of core banking loans as a percentage of average core banking loans decreased slightly in 2000 to 0.11% from 0.12% in 1999.

Premium finance receivable net charge-offs for the year ended December 31, 2000 totaled \$1.2 million as compared to \$289,000 recorded in 1999. Net charge-offs were 0.43% of average premium finance receivables in 2000 versus 0.14% in 1999. The increase in net charge-offs in 2000 was attributable in part to accounts referred to the Company pursuant to a marketing agreement that the Company entered into in mid-1999. Accounts generated from this arrangement have generally had smaller balances and higher delinquencies and charge-offs than the Company's core premium finance portfolio. The Company has begun initiatives to substantially curtail the new volume generated from this relationship. However, management believes the higher level of net charge-offs will likely continue through the first half of 2001.

Indirect auto loan net charge-offs totaled \$1.2 million for the year ended December 31, 2000 as compared to \$1.1 million in 1999. Net charge-offs as a percentage of average indirect auto loans were 0.50% in 2000 in comparison to 0.44% in 1999.

The allowance for possible loan losses as a percentage of total net loans at December 31, 2000 and 1999 was 0.67% and 0.69%, respectively. As a percent of average total loans, total net charge-offs for 2000 and 1999 were 0.24% and 0.19%, respectively. Management believes that the allowance for possible loan losses is adequate to provide for losses inherent in the portfolio.

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

	2000	1999	1998	1997	1996
Past Due greater than 90 days and still accruing:					
Core banking loans	\$ 651	713	800	868	75
Indirect auto loans	397	391	274	11	20
Premium finance receivables	4,306	1,523	1,214	887	-
Total	5,354	2,627	2,288	1,766	95
Non-accrual loans:					
Core banking loans	770	1,895	1,487	782	448
Indirect auto loans	221	298	195	29	-
Premium finance receivables	3,338	2,145	1,455	1,629	1,238
Total non-accrual loans	4,329	4,338	3,137	2,440	1,686
Total non-performing loans:					
Core banking loans	1,421	2,608	2,287	1,650	523
Indirect auto loans	618	689	469	40	20
Premium finance receivables	7,644	3,668	2,669	2,516	1,238
Total non-performing loans	9,683	6,965	5,425	4,206	1,781
Other real estate owned	-	-	587	-	-
Total non-performing assets	\$ 9,683	6,965	6,012	4,206	1,781
Total non-performing loans by category as a percent of its own respective category:					
Core banking loans	0.14%	0.32%	0.38%	0.37%	0.15%
Indirect auto loans	0.30	0.27	0.22	0.03	0.02
Premium finance receivables	2.44	1.67	1.50	1.96	2.15
Total non-performing loans	0.62	0.54	0.55	0.59	0.36
Total non-performing assets to total assets	0.46	0.41	0.45	0.40	0.25
Non-accrual loans to total loans	0.28	0.34	0.32	0.34	0.34
Allowance for possible loan losses as a percentage of non-performing loans	107.75%	126.10	129.66	121.64	204.15

Non-performing Core Banking Loans and Other Real Estate Owned

Total non-performing loans for the Company's core banking business (all loans other than indirect auto loans and premium finance receivables) were \$1.4 million as of December 31, 2000, a decrease of \$1.2 million from the \$2.6 million as of December 31, 1999. As a percentage of total core banking loans, non-performing core banking loans declined to 0.14% at the end of 2000 versus 0.32% a year earlier. Although the outstanding core loan portfolio has increased 25% from a year ago, the amount of non-performing core loans has decreased 46% from the prior year total. Non-performing core banking loans consist primarily of a small number of commercial and real estate loans, which management believes are well secured and in the process of collection. In fact, the loans comprising the non-performing core loan category total less than 30 individual credits. The small number of such non-performing loans allows management to effectively monitor the status of these credits and work with the borrowers to resolve these problems. The Company had no other real estate owned as of December 31, 2000 and 1999.

Non-performing Premium Finance Receivables

The table below presents the level of non-performing premium finance receivables as of December 31, 2000 and 1999, and the amount of net charge-offs for the years then ended.

	2000	1999
Non-performing premium finance receivables	\$ 7,644,000	3,668,000
- as a percent of premium finance receivables	2.44%	1.67%
Net charge-offs of premium finance receivables	\$ 1,165,000	289,000
- as a percent of average premium finance receivables	0.43%	0.14%

Non-performing premium finance receivables have increased over the course of the year. The increase is attributable, in part, to the loans generated from a marketing agreement that the Company entered into in mid-1999. Although the accounts were underwritten by our premium finance subsidiary, the accounts generated from this arrangement have generally had smaller balances and higher delinquencies than the Company's core premium finance portfolio. Approximately 44% of the delinquent accounts and 29% of the delinquent balances relate to accounts associated with the marketing agreement. The volume of small balance delinquent accounts

has placed an increased burden on the collection efforts of the premium finance subsidiary. The Company has significantly curtailed volume generated from this arrangement and is focusing significant resources to resolving the level of delinquencies. Management believes the delinquency levels should begin to trend down over the course of 2001.

It is important to note that the net charge-off ratio is substantially less than the non-performing asset ratio. 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. Collateral for premium finance loans is essentially the unearned portion of the premium related to the underlying policy. 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 Auto Loans

Total non-performing indirect automobile loans were \$618,000 at December 31, 2000 as compared to \$689,000 at the end of 1999. The ratio of these non-performing loans has increased slightly to 0.30% of total net indirect automobile loans at December 31, 2000 from 0.27% at December 31, 1999. These ratios continue to be below standard industry ratios for this type of loan category. These individual loans comprise smaller dollar amounts and collection efforts are active.

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 December 31, 2000 and 1999 were approximately \$11.9 million and \$14.4 million, respectively.

Loan Concentrations. Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. The Company had no concentrations of loans exceeding 10% of total loans at December 31, 2000 or 1999, except for loans included in the indirect auto and premium finance operating segments.

Effects of 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 of 1933 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 the Company's projected growth, anticipated improvements in earnings, earnings per share and other financial performance measures, and management's long-term performance goals, as well as statements relating to the anticipated effects on financial results of condi-

tion from expected development or events, the Company's business and growth strategies, including anticipated internal growth, plans to form additional de novo banks and to open new branch offices, and to pursue additional potential development or acquisition of banks or specialty finance businesses. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

- 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 newer trust subsidiary, WAMC, is expected to be in a start-up phase for the next two years, before becoming profitable.
- The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- Although management believes the allowance for possible loan losses is adequate to provide for 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.
- 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.
- The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- The Company's ability to adapt successfully to technological changes to compete effectively in the marketplace.

-
- Unforeseen future events that may cause slower than anticipated development and growth of the Tricom business, changes in the temporary staffing industry or difficulties integrating the Tricom acquisition.
 - 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 and may affect the Company's ability to successfully pursue acquisition and expansion strategies.
 - The Company's ability to recover on the loss resulting from the fraudulent loan scheme perpetrated against the Company's premium finance subsidiary in the third quarter of 2000.

Directors & Officers

Wintrust Financial Corporation

Directors

Joseph Alaimo
Peter D. Crist
Bruce K. Crowther
Maurice F. Dunne, Jr.
William C. Graft
Kathleen R. Horne
John W. Leopold
John S. Lillard
James B. McCarthy
Marguerite Savard McKenna
Albin F. Moschner
Dorothy M. Mueller
Thomas J. Neis
Hollis W. Rademacher
J. Christopher Reyes
Peter P. Rusin
John N. Schaper
John J. Schornack
Ingrid S. Stafford
Jane R. Stein
Katharine V. Sylvester
Lemuel H. Tate (Emeritus)
Edward J. Wehmer
Larry V. Wright

Officers

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Chairman

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David A. Dykstra
Executive Vice President & Chief Financial Officer

Lloyd M. Bowden
Executive Vice President/Technology

Robert F. Key
Executive Vice President/Marketing

Barbara A. Kilian
Senior Vice President/Finance

Richard J. Pasminski
Vice President/Controller

David J. Galvan
Vice President/Investments

Jolanta K. Slusarski
Vice President/Compliance

Jay P. Ross
Assistant Vice President/Database Marketing

Lake Forest Bank & Trust Company

Directors

Craig E. Arnesen
Maurice F. Dunne, Jr.
Maxine P. Farrell
Francis Farwell (Emeritus)
Eugene Hotchkiss
Moris T. Hoversten (Emeritus)
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Frank Mariani
John J. Meierhoff
Albin F. Moschner
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Genevieve Plamondon
Hollis W. Rademacher
J. Christopher Reyes
Ellen Stirling
Edward J. Wehmer

Executive Officers

Edward J. Wehmer
Chairman

Craig E. Arnesen
President and CEO

John J. Meierhoff
Executive Vice President/Lending

Loans

Rachele L. Wright
President/Bank of Highwood – Fort Sheridan

Kathryn Walker-Eich
Senior Vice President/Manager, West Lake Forest

Kurt K. Prinz
Senior Vice President/Commercial Lending

Mark R. Schubring
Vice President/Commercial Lending

Steve L. Madden
Vice President/Commercial Lending

Janice C. Nelson
Vice President/Consumer Lending

Jerry Piacenza
Assistant Vice President/Commercial Lending

Lori Higgins
Assistant Vice President/Loan Administration

Maria Santello
Loan Administration Officer

Pat McNeilly
Mortgage Loan Officer

Laura Cascarano
Loan Administration Officer

Susan Potash
Loan Servicing Officer

MMF Leasing Services

David E. Gross
Senior Vice President

James C. Miller
Leasing Officer

Personal Banking

Lynn Van Cleave
Vice President/Personal Banking Operations

Twila D. Hungerford
Assistant Vice President/Manager, Lake Bluff

Piera Dallabattista
Personal Banking Officer

Lee Cankar
Personal Banking Officer

Judy Moloney
Personal Banking Officer

Michelle Parnell
Personal Banking Officer

Operations/Finance/Other

Mary Ann Gannon
Vice President/Operations

Richard J. Pasminski
Vice President/Controller

Margaret Zacher
Assistant Controller

Kathleen E. Bickmore
Assistant Vice President/Operations

Pamela Barker
Assistant Vice President/Operations

Andrea Levitt
Administration Officer

Carolyn P. Szymanski
Public Relations Officer

Hinsdale Bank & Trust Company

Directors

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Executive Officers

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President - Clarendon Hills Bank
Stephen C. Pleimling
President - The Community Bank of Western Springs

Loans

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*Senior Vice President/
Indirect Lending*
Eric Westberg
Senior Vice President/Mortgages
Kay Olenec
Senior Vice President/Mortgages
Colleen Ryan
*Senior Vice President/
Commercial Lending*
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Vice President/Indirect Lending
Cora Mae Corley
Assistant Vice President

Pat Gray
Assistant Vice President
Kathy Oergel
Assistant Vice President
Maria Chialdikis
Loan Processing Officer

Personal Banking/Operations

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Vice President & Cashier
Michelle Kennedy
Vice President/Controller
Michelle Paetsch
Assistant Vice President
Amy Boburka
Assistant Vice President
Kim Fernandez
Operations Officer
Patricia Mayo
Operations Officer
Kevin Barry
Personal Banking Officer
Jason Bledsoe
Personal Banking Officer

North Shore Community Bank & Trust Company

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Stanley R. Weinberger
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Executive Vice President/Lending

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*Senior Vice President/Lending/
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Vice President/Lending
Robert Clausen
Vice President/Commercial Lending
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Vice President/Mortgages
Susan Mundy
Vice President/Mortgages

Gina Stec
Vice President/Lending – Winnetka

Mark A. Stec
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Romelia Lemus
Loan Officer

Ann T. Tyler
Vice President/Loan Administration

Kelly Mishka
Loan Operations Officer

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Assistant Vice President/Personal Banking

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Assistant Vice President/Personal Banking

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Assistant Vice President/Personal Banking – Skokie

Jennifer A. Waters
Assistant Vice President/Human Resources/Marketing

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Assistant Vice President

Beatrice Borre
Personal Banking Officer

Angelica Escobar
Assistant Controller

Libertyville Bank & Trust Company

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Edward Werdell

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President - Wauconda Community Bank

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Executive Vice President

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Vice President/Commercial Banking Services

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Dorothy Nemsick
Mortgage Representative

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Karen Bouas
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Cindy Tysland
Personal Banking

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Vice President/Controller

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Dwayne Nicholson
Operations Officer/MIS

Deborah Wrigley
Operations Officer/Loan Administration

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Senior Vice President
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Vice President
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Vice President
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Ronald Bykowski
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President – McHenry Bank & Trust
Ormel Prust
Executive Vice President-McHenry Bank & Trust

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Jeffrey B. Steinback
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Manager/Residential Loan

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Vice President

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Rosemarie Mann
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Trust Officer/Lake Forest
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Vice President/Lake Forest
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Vice President/Lake Forest
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Trust Officer/Lake Forest
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Vice President/Hinsdale
Gerard B. Leenheers
Vice President/Hinsdale
Kevin D. Mitzi
Vice President/Hinsdale
Kay Stevens
Vice President/Hinsdale
Ann Wiesbrock
Vice President/Hinsdale

T. Tolbert Chisum
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Vice President/North Shore
Mary Anne Glunz Martin
Vice President/North Shore
Elizabeth Karabatsos
Trust Officer/North Shore
Jeanette E. Amstutz
Vice President/Barrington
Timothy J. Keefe
Vice President/Barrington

First Insurance Funding Corp.**Directors**

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David A. Dykstra
Hollis W. Rademacher
Edward J. Wehmer

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*Executive Vice President/
Information Technology*

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Senior Vice President/Marketing

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Senior Vice President/Operations

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Vice President/Asset Management

G. David Wiggins
Vice President/Loan Origination

James R. McGeary
Vice President/Credit

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Assistant Vice President

Amy J. Evola
Assistant Vice President

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Edward J. Wehmer
David A. Dykstra
Mary Martha Mooney
Katharine V. Sylvester
Hollis W. Rademacher
Dennis Jones

Senior Staff

John Leopold
President

Julie Ann Blazei
Operations and Technology Manager

Mary Jo Heim
Accounting Manager

Linda Walsch
Payroll Services Manager

Laura Dykstra
Client Services Manager

Jodi Schellinger
Cash Management Services Manager

Corporate Locations

Wintrust Financial Corporation

727 North Bank Lane
Lake Forest, IL 60045
(847) 615-4096
www.wintrust.com

Lake Forest Bank & Trust Company

Lake Forest Locations

Main Bank
727 North Bank Lane
Lake Forest, IL 60045
(847) 234-2882
www.lakeforestbank.com

Main Drive-thru
780 North Bank Lane
Lake Forest, IL 60045
(847) 615-4022

West Lake Forest
810 South Waukegan Avenue
Lake Forest, IL 60045
(847) 615-4080

West Lake Forest Drive-thru
911 Telegraph Road
Lake Forest, IL 60045
(847) 615-4098

Lake Forest Place
1100 Pembridge Drive
Lake Forest, IL 60045
(847) 615-6620

Lake Bluff

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

Bank of Highwood – Fort Sheridan

507 Sheridan Road
Highwood, IL 60040
(847) 266-7600
www.bankofhwfs.com

MMF Leasing Services

263 East Westminster
Lake Forest, IL 60045
(847) 604-5060

Hinsdale Bank & Trust Company

Hinsdale Locations

Main Bank
25 East First Street
Hinsdale, IL 60521
(630) 323-4404
www.hinsdalebank.com

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

Clarendon Hills Bank

200 West Burlington Avenue
Clarendon Hills, IL 60514
(630) 323-1240
www.clarendonhillsbank.com

ATM Drive-thru
5 South Walker Ave
Clarendon Hills, IL 60514

The Community Bank of Western Springs

1000 Hillgrove Avenue
Western Springs, IL 60558
(708) 246-7100
www.communitybankws.com

North Shore Community Bank & Trust Company

Wilmette Locations

Main Bank
1145 Wilmette Avenue
Wilmette, IL 60091
(847) 853-1145
www.nscbank.com

Drive-thru
720 12th Street
Wilmette, IL 60091

4th & Linden Walk-up
351 Linden Ave
Wilmette IL 60091

Glencoe Locations

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

Drive-thru
633 Vernon Avenue
Glencoe, IL 60022

Winnetka

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

Skokie

5049 Oakton Street
Skokie, IL 60077
(847) 933-1900

Libertyville Bank & Trust Company

Libertyville Locations

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

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

South Libertyville
1167 South Milwaukee Avenue
Libertyville, IL 60048
(847) 367-6800

Wauconda Community Bank

Main Bank
495 West Liberty Street
Wauconda, IL 60084
(847) 487-2500
www.waucondabank.com

Drive-thru
1180 Dato Lane
Wauconda, IL 60084
(847) 487-3770

Barrington Bank & Trust Company

Main Bank
201 S. Hough Street
Barrington, IL 60010
(847) 842-4500
www.barringtonbank.com

**Crystal Lake Bank
& Trust Company****Crystal Lake Locations**

Main Bank
70 N. Williams Street
Crystal Lake, IL 60014
(815) 479-5200
www.crystallakebank.com

Drive-thru
27 N. Main Street
Crystal Lake, IL 60014

South Crystal Lake
1000 McHenry Avenue
Crystal Lake, IL 60014
(815) 479-5715

McHenry Bank & Trust

3322 West Elm Street
McHenry, IL 60050
(815) 344-6600
www.mchenrybank.com

Northbrook Bank & Trust Company

Main Bank
1340 Shermer Road
Northbrook, Illinois 60062
(847) 418-2800
www.northbrookbank.com

**Wintrust Asset Management
Company**

727 North Bank Lane
Lake Forest, IL 60045
(847) 234-2882

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

720 12th Street – 2nd Floor
Wilmette, IL 60091
(847) 853-2093

201 S. Hough Street
Barrington, IL 60010
(847) 842-4500

First Insurance Funding Corp.

450 Skokie Blvd., Suite 1000
Northbrook, IL 60065
(847) 374-3000
www.firstinsurancefunding.com

Tricom, Inc. of Milwaukee

11270 West Park Place
Suite 100
Milwaukee, WI 53224
(414) 410-2200
www.tricom.com

Corporate Information

Public Listing and Market Symbol

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

Website Location

The Company maintains a financial relations internet website at the following location: www.wintrust.com

Annual Meeting of Shareholders

May 24, 2001
Hyatt Deerfield
1750 Lake Cook Road
Deerfield, Illinois
10:00 A.M.

Form 10-K

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

Transfer Agent

Illinois Stock Transfer Company
209 West Jackson Boulevard
Suite 903
Chicago, Illinois 60606
Telephone: (312) 427-2953
Facsimile: (312) 427-2879

**Primary Market Makers for
Wintrust Financial Corporation
Common Stock**

Advest, Inc.
First Union Securities, Inc.
Howe Barnes Investments, Inc.
Keefe, Bruyette & Woods
Sandler O'Neill & Partners
Stifel, Nicolaus & Company, Inc.
U.S. Bancorp Piper Jaffray