WINTRUST FINANCIAL CORP
Form 10-K
February 29, 2008

*2007 Weathering the Perfect Banking Storm*

**What Can Wintrust Do?**

***Treasury Management***

Retail & Wholesale Lockbox

On-Line Lockbox (iBusinessPay)

On-Line Banking & Reporting (iBusinessBanking)

Remote Deposit Capture (iBusinessCapture)

Merchant Card Program

Payroll Services (CheckMate)

ACH & Wire Transfer Services

International Banking Services

***Commercial Lending***

Lending limit of greater than $180 million

Commercial & Industrial (Asset Based) Lending

Commercial Real Estate, Mortgages & Construction

Lines of Credit

Letters of Credit

Property & Casualty Insurance Premium Financing

Life Insurance Financing

***Retail Banking***

Footprint of 15 chartered banks and 77 facilities

Deposit Products

Home Equity and Installment Loans

Residential Mortgages

***Wealth Management***

Asset Management (Individual & Institutional)

Financial Planning

Brokerage

Retirement Plans (Business)

Trust & Estate Services (Corporate & Personal)

***Specialized Financial Services for:***

Aircraft Owners

Building Management Companies

Condominium & Homeowner Associations

Insurance Agents & Brokers

Municipalities & School Districts

Physicians, Dentists and other medical personnel

Temporary Staffing & Security Companies

**Contents**



We have always had a policy of presenting our goals, objectives and financial results in an up front manner to our shareholders. In this annual report, we are confirming our policy of reporting thoroughly the financial results, accounting policies and objectives of Wintrust Financial Corporation and our operating subsidiaries.

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*Selected Financial Trends*

*Note:* M=Million

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*Selected Financial Highlights*

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2007 | 2006 | 2005 | 2004 | 2003 |
| | *(dollars in thousands, except per share data)* | | | | |
| **Selected Financial Condition Data (at end of year):** | | | | | |
| Total assets | **$ 9,368,859** | $ 9,571,852 | $ 8,177,042 | $ 6,419,048 | $ 4,747,398 |
| Total loans | **6,801,602** | 6,496,480 | 5,213,871 | 4,348,346 | 3,297,794 |
| Total deposits | **7,471,441** | 7,869,240 | 6,729,434 | 5,104,734 | 3,876,621 |
| Notes payable | **60,700** | 12,750 | 1,000 | 1,000 | 26,000 |
| Federal Home Loan Bank advances | **415,183** | 325,531 | 349,317 | 303,501 | 144,026 |
| Subordinated notes | **75,000** | 75,000 | 50,000 | 50,000 | 50,000 |
| Junior subordinated debentures | **249,662** | 249,828 | 230,458 | 204,489 | 96,811 |
| Total shareholders equity | **739,555** | 773,346 | 627,911 | 473,912 | 349,837 |
| **Selected Statements of Operations Data:** | | | | | |
| Net interest income | **$ 261,550** | $ 248,886 | $ 216,759 | $ 157,824 | $ 120,492 |
| Net revenue [(1)] | **341,638** | 340,118 | 310,316 | 243,276 | 193,084 |
| Net income | **55,653** | 66,493 | 67,016 | 51,334 | 38,118 |
| Net income per common share Basic | **2.31** | 2.66 | 2.89 | 2.49 | 2.11 |
| Net income per common share Diluted | **2.24** | 2.56 | 2.75 | 2.34 | 1.98 |
| Cash dividends declared per common share | **0.32** | 0.28 | 0.24 | 0.20 | 0.16 |
| **Selected Financial Ratios and Other Data:** | | | | | |
| *Performance Ratios:* | | | | | |
| Net interest margin | **3.11%** | 3.10% | 3.16% | 3.17% | 3.20% |
| Core net interest margin[(2)] | **3.38** | 3.32 | 3.37 | 3.31 | 3.32 |
| Non-interest income to average assets | **0.85** | 1.02 | 1.23 | 1.57 | 1.76 |
| Non-interest expense to average assets | **2.57** | 2.56 | 2.62 | 2.86 | 2.98 |
| Net overhead ratio [(3)] | **1.72** | 1.54 | 1.39 | 1.30 | 1.22 |
| Efficiency ratio [(4)] | **71.06** | 66.96 | 63.97 | 64.45 | 63.52 |
| Return on average assets | **0.59** | 0.74 | 0.88 | 0.94 | 0.93 |
| Return on average equity | **7.64** | 9.47 | 11.00 | 13.12 | 14.36 |
| Average total assets | **$ 9,442,277** | $ 8,925,557 | $ 7,587,602 | $ 5,451,527 | $ 4,116,618 |

| | | | | | |
|---|---|---|---|---|---|
| Average total shareholders equity | **727,972** | 701,794 | 609,167 | 391,335 | 265,495 |
| Ending loan-to-deposit ratio | **91.0%** | 82.6% | 77.5% | 85.2% | 85.1% |
| Average loans to average deposits ratio | **90.1** | 82.2 | 83.4 | 87.7 | 86.4 |
| Average interest earning assets to average interest bearing liabilities | **106.93** | 107.78 | 108.83 | 109.89 | 109.68 |
| *Asset Quality Ratios:* | | | | | |
| Non-performing loans to total loans | **1.06%** | 0.57% | 0.50% | 0.43% | 0.72% |
| Non-performing assets to total assets | **0.81** | 0.39 | 0.34 | 0.29 | 0.51 |
| Allowance for credit losses(5) to: | | | | | |
| Total loans | **0.75** | 0.72 | 0.78 | 0.79 | 0.77 |
| Non-performing loans | **70.81** | 126.14 | 155.69 | 184.13 | 107.59 |
| *Common Share Data at end of year:* | | | | | |
| Market price per common share | **$ 33.13** | $ 48.02 | $ 54.90 | $ 56.96 | $ 45.10 |
| Book value per common share | **$ 31.56** | $ 30.38 | $ 26.23 | $ 21.81 | $ 17.43 |
| Common shares outstanding | **23,430,490** | 25,457,935 | 23,940,744 | 21,728,548 | 20,066,265 |
| *Other Data at end of year:* | | | | | |
| Number of: | | | | | |
| Bank subsidiaries | **15** | 15 | 13 | 12 | 9 |
| Non-bank subsidiaries | **8** | 8 | 10 | 10 | 7 |
| Banking offices | **77** | 73 | 62 | 50 | 36 |

*(1) Net revenue is net interest income plus non-interest income.*

*(2) The core net interest margin excludes the effect of the net interest expense associated with the Company s junior subordinated debentures and*

*the interest expense incurred to fund common stock repurchases.*

(3) *The net overhead ratio is calculated by netting total non-interest expense and total non-interest income and dividing by that period s total average assets. A lower ratio indicates a higher degree of efficiency.*

(4) *The efficiency ratio is calculated by dividing total non-interest expense by tax-equivalent net revenues (less securities gains or losses). A lower ratio indicates more efficient revenue generation.*

(5) *The allowance for credit losses includes both the allowance for loan losses and the allowance for lending-related commitments.*

*To Our Fellow Shareholders*

Welcome to Wintrust Financial Corporation s 2007 annual report. We thank you for being a shareholder.

**Market Headwinds**

For the first 14 years of Wintrust s existence, our community bank philosophy and related customer service levels produced a company that enjoyed growth rates substantially above industry standards. We committed the capital and a lot of hard work to take advantage of a banking industry that seemed to be turning its back on providing good old fashioned customer service. However, in 2007, management decided to temporarily suspend historical growth patterns due to a number of environmental factors that limited profitable growth.

As we noted in our 2006 Annual Report, the banking environment was characterized by a disadvantageous inverted yield curve, a loosened lending environment devoid of credit spreads and substantial market liquidity. This resulted in intense price competition. In essence, profitable growth at acceptable risk levels was taken away a tough occurrence for all banks but especially a growth - oriented bank such as ours. It also seemed apparent that a negative credit cycle was soon to be upon us as we continued to see loan deals get done by many different competitors with what we considered unacceptable underwriting terms.

This seems to be the perfect storm that formed throughout the past two years in the banking and financial services industry. The environment has produced strong headwinds for almost everyone in the banking sector.

**Our Response and Strategies in Place**

Our response to the unfavorable environment was to stay committed to our core loan underwriting standards and not sacrifice our asset quality or pricing standards simply to grow outstanding loan balances and short-term profits. Our sincere belief is that if a bank forsakes credit quality in the short run, it will ultimately give back all of the short-term profits many times over in the form of credit losses down the road. Accordingly, since the marketplace was not allowing for profitable growth within acceptable risk parameters, we made a conscious decision to not commit the Company s capital to growth that did not produce acceptable returns. Rather, we decided to allocate our capital to growing our younger banks and actually shrinking the larger banks by allowing high cost non-core customer relationships to exit. By slowing the growth, we were able to use excess capital to repurchase common stock an investment that we think was sound given the alternatives.

Just as it may take sailors slightly longer to get to their destination when facing headwinds, we have not sacrificed our long-term growth for short-term profit strategies. We believe that we are sitting in an advantageous spot due to our strategic measures taken during 2007. We maintained our strict adherence to our high core loan underwriting standards, focused more heavily on deposit pricing discipline, worked to shift our deposit mix to be less dependent on higher cost fixed-rate certificates of deposit ( CDs ), and focused more on expense control.

We say we believe we are in an advantageous spot because we think that those banks that stayed true to their credit underwriting standards over the past few years will not be burdened by troubled loan portfolios going forward. We think we are one of those banks who have kept our powder dry to fight the ongoing battle and take advantage of future opportunities.

Wintrust is now positioned to resume its previously successful growth strategies. We believe that 2008 will be a year of opportunities on the lending side of the business as many banks are fighting credit issues. Market liquidity has dried up to a certain extent and there has been much disruption in Chicago banking due to several local bank acquisitions. In fact, at year-end 2007, our loan-to-deposit ratio was north of 90% making us asset driven again. Being asset driven allows us to get more aggressive on growing the franchise while also allowing for the sale of excess asset generation to take place thereby augmenting income.

Make no mistake, our overall core strategies have remained the same over the years except for this temporary change in tactics. It is our hope that when this credit cycle is over, our investments in the Company s core strategies

will payoff over the long term with a greater base to generate earnings and increased franchise value to shareholders. We have a resolute interest in growing earnings and our balance sheet for all of our franchises but only if we can do so in a safe and sound manner.

**Credit Back to Normal**

We believe our consistent underwriting standards are geared towards incurring credit losses in the range of 20-30 basis points of average loans which was generally our history from 1991 to 2003. The last few years have been extraordinarily good from a credit loss perspective and our loss ratios have been below the expected range. However, as we have indicated before, we believe the current credit cycle may result in loss ratios closer to pre-2004 levels. In providing you with our best estimates, we are keenly aware that these are uncertain times and no one is larger than the market. The banking business is one where we take measured risks every day through investments in loans and other earning assets. The key is to control the risk and get paid an appropriate amount for taking such risk. We truly believe that we have always maintained consistent underwriting standards that should control risk and limit losses to acceptable levels.

**Mortgage Market Turmoil How We Weathered the Storm**

Surely you have all heard or read about the huge problems experienced by the mortgage industry as a whole in 2007. During 2007, our Company originated in excess of $1.9 billion of mortgage loans. We sell the majority of those long-term fixed rate loans to the secondary market in order to reduce interest rate risk. As a condition to selling those loans, we generally retain certain recourse obligations in the event of early payment defaults, misrepresentation of warranties and other matters. As a result of the rapid change in the dynamics of the marketplace, we recorded losses related to those recourse obligations and valuations of mortgages held for sale of approximately $4 million, after-tax. To put this into perspective, this is only about one quarter of one percent of the amount of loans originated. Although we are obviously not pleased with any loss, we do believe it was relatively insignificant compared to the total amount originated during the year. However, we have revised our underwriting standards to limit the exposure to this type of loss in the future. Separately, we are optimistic about the mortgage market in 2008. The lower rate environment that we are currently experiencing should drive more origination volume from customers refinancing their existing mortgages. We continue to add mortgage personnel throughout our banking locations which should help increase mortgage loan production during 2008.

**Net Interest Margin Challenges**

The Company s net interest margin remained stable in 2007, with an actual uptick of one basis point to 3.11%. Our core net interest margin, which excludes interest expense associated with Wintrust s junior subordinated debentures and the interest expense incurred to fund common stock repurchases, increased six basis points to 3.38%.

The interest margin challenges faced by all banks in 2007 are well known: loan pricing pressures, rate cuts by the Federal Reserve and a yield curve not quite recovered from its recent inversion. However, the Company took necessary steps to lower its cost of funds with better deposit pricing discipline and rebalancing its deposit mix from higher cost fixed-rate savings vehicles such as CDs to lower rate savings vehicles like money market, savings and NOW accounts. At the same time, industry underwriting and lending terms appear to be returning to the norm. The return of credit spreads and sound underwriting standards in the industry should allow us to better compete on a variety of lending opportunities, while still allowing us to be compensated for our time and risk. However, despite some of these encouraging signs, progress made could very well be offset by the margin compression caused by continued rate cuts by the Federal Reserve Bank.

**Repurchasing Shares of Common Stock**

Beginning in the later half of 2006, the Company began to repurchase its common shares under plans approved by the Board of Directors. Given declining stock price multiples in the banking sector and our decision to slow growth due to unacceptable market conditions, we thought the repurchase of our shares was a sound investment. In total, since the July 2006 Board authorization, we have repurchased approximately 2.8 million shares at an average price under $43 per share. Accordingly, approximately 11% of the common shares of the Company have been repurchased.

In January 2008, the Company authorized the repurchase of up to another one million shares of our common stock. Our decision to continue our share repurchase program demonstrates the Company s confidence in its long-term growth and commitment towards building shareholder value. Going forward, we will be selective in repurchasing shares while monitoring growth during the year and making sure we maintain sufficient capital to support growth opportunities.

**Our Newest Addition to the Family**

On November 1, 2007, the Company announced the completion of its acquisition of 100% of the ownership interests of Broadway Premium Funding Corporation ( Broadway ). Broadway was founded in 1999 and had approximately $60 million of premium finance receivables outstanding at the date of acquisition. Broadway provides financing for commercial property, casualty and professional insurance premiums, mainly through insurance agents and brokers in the northeastern portion of the United States and California. Broadway, now a subsidiary of the Company s FIRST Insurance Funding ( FIRST ) premium finance unit, expands the footprint of our commercial premium finance receivables niche and serves a segment of small- to mid-sized businesses not previously covered by FIRST. We welcome the Broadway team to the Wintrust family and are excited about the growth opportunities that exist in their niche of the premium finance market.

**The Big Banks and Merger Mania**

Over the course of 2007, there were a couple of highly publicized bank mergers that affected the markets where our current banks compete. This creates a beneficial environment for the Company as mergers and acquisitions set money in motion. Suddenly, a client that used to be a big fish in a small pond at one of the acquired institutions sees the pond increase in size comparable to an ocean.

Wintrust is uniquely positioned to capture not only retail customers, but new commercial clients as well. Our philosophy of providing the same or better big bank products, coupled with community bank service we are known for, is ideal for this opportunity. We get back to our bread-and-butter and key differentiator, allowing us to position ourselves as having the best customer service around.

As a result, we have gone on the offensive and begun to use the Wintrust brand for the first time in the commercial banking landscape. This includes advertisements, direct mail and other marketing collateral. We hope you enjoy the many Wintrust

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commercial customers featured in the  Client Profiles  or in the  Clients Having It All  sections appearing throughout this Annual Report.

**Our Key Advantage of Service, Service, Service**

As we have continually stated, our key advantage is our people. Our dedicated staff constantly carries forward our mantra of  Service, Service, Service .

Our decentralized management approach allows senior management at each franchise to manage their company and their employees. These employees are the key to our success. Our clients and customers truly appreciate the unparalleled service that our valued employees provide.

**Giving Thanks**

As is customary in our letter to shareholders we feel a debt of gratitude and feel some  thank yous  are in order. Let s start by thanking our leadership teams  our management and directors. Your stewardship and efforts are an important reason for our success. Thank you.

And then let s thank our employees and welcome those who recently joined our Wintrust team, either from our acquisition of Broadway Premium Funding, or the launch of one of our new bank facilities, or by joining an existing member of our family. As previously mentioned, our dedicated employees provide our clients and customers the best service around. Thank you.

Thanks as well to our shareholders for keeping us focused on what we do best  growing our franchises by delivering products uniquely positioned to meet the financial needs of consumers with the key differentiator of service.

And finally, thank you to our clients and customers  banking, lending, mortgage, wealth management, premium finance, employment agencies  for trusting us to deliver our products and services. Without you, we don t exist. Thank you.

**In Summary**

Muhammad Ali coined a phrase that we think is applicable to our current state of mind as a Company. He developed a strategy he called,  Rope-a-Dope,  with the idea to lie on the ropes of a boxing ring, conserve energy and allow the opponent to strike him repeatedly in hopes of making him tire and open up weaknesses to exploit for the inevitable counterattack, which would eventually lead to victory.

We see 2007 as a year of  conserving energy  and are poised to  push off the ropes  with  gloves off  as we hopefully are quick to come out of the current credit cycle and yield environment.

Your continued support of our business is greatly appreciated and we are excited about making 2008 a good year for the Company. Please enjoy the rest of our 2007 Annual Report. We hope to see you at our Annual Meeting, to be held on Thursday, May 22, 2008 at 10:00a.m. It will be held at the Deer Path Inn located at 255 East Illinois Road in Lake Forest, Illinois.

Sincerely,

| | | |
|---|---|---|
| John S. Lillard | Edward J. Wehmer | David A. Dykstra |
| *Chairman* | *President &* | *Senior Executive Vice President &* |
| | *Chief Executive Officer* | *Chief Operating Officer* |

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### *Overall Financial Performance*

In 2007, total assets remained relatively unchanged from 2006, and earnings suffered due to a challenging interest rate environment and other market conditions previously discussed. However, the Company did achieve a record level of loans as we surpassed the $6.8 billion mark.

**Core Growth**

Though growth was not at the level our shareholders have come to expect, our core balance sheet remains strong. Total assets of $9.4 billion were near our 2006 record of $9.6 billion. Furthermore, the Company has doubled in size in a five-year period, which is a substantial achievement, especially in the competitive financial services industry. Earnings per diluted share decreased to $2.24 in 2007 from $2.56 in 2006. Shareholders equity also decreased as a consequence of the repurchase of our common shares. The amount of treasury stock increased substantially from 2006 as the Company continued to repurchase shares, a demonstration of our belief that our stock was undervalued and represented a good investment relative to other investment alternatives. Despite the treasury stock purchases, book value per common share increased by $1.18, or 3.9%, to $31.56.

**Net Revenue**

Overall net revenue, which includes net interest income and non-interest income, increased 0.4% to $341.6 million. Our net interest margin remained relatively stable at 3.11% in 2007, up one basis point from the prior year, as we continued to face extremely competitive loan and deposit pricing pressures.

Most banking institutions, ours included, have been affected by the inverted yield curve. When long-term interest rates are lower than short-term interest rates, it squeezes the spread between interest earned on our assets and interest paid on liabilities. While the curve has been begun to move toward a normal positive-sloping shape, the Federal Reserve Bank s rate cuts make for a complicated operating environment. Lower interest rates are generally not favorable to community bank organizations because interest spreads get compressed. Rates on lower cost deposits generally can not be lowered as much as the Federal Reserve s rate cuts. Asset yields, however, are not so constrained. To counteract deposit pricing pressures, the Company has begun to make progress in shifting its mix of retail deposits away from high-rate CDs into lower cost, variable-rate NOW, money market and wealth management deposits.

Our other main source of revenue, non-interest income, fell 12.2% in 2007 to $80.1 million. The decrease was primarily attributed to $8.5 million less of trading income recognized on interest rate swaps in 2006 and a decline in mortgage banking revenue of $7.5 million. Offsetting these two large decreases were the BOLI death benefit recorded in the third quarter of 2007, the gain recognized on the Company s investment in an unaffiliated bank holding company that was acquired by another bank holding company and the gain recognized on the sale of Company owned land.

**Asset Quality**

At December 31, 2007, non-performing assets were $75.7 million, or 0.81%, of total assets, compared to $37.4 million, or 0.39%, of total assets at December 31, 2006. The increase in non-performing assets is concentrated in three credit relationships. These relationships are being carefully monitored with work-out plans in process.

We believe our consistent underwriting standards are geared towards incurring credit losses in the range of 20-30 basis

Clients Having It All

*You have all the parts for our commercial banking needs. By understanding what we are trying to do as a business, you know what needs to get done, and you take care of it quickly for us.*

*Brian and Greg Panek, Panek Precision*

*I switched from my old bank to a Wintrust Community Bank because they provide personal service, they re always available and most importantly they understand the business.*

*Marc Kresmery, Marc Kresmery Construction LLC*

points, which was generally our history from 1991 to 2003. The last few years have been extraordinarily good from a credit loss perspective. As we have indicated before, we believe the current credit cycle may result in loss ratios closer to pre-2004 levels. Both non-performing assets and net charge-offs increased in 2007, but are at levels that are within acceptable operating ranges and are as expected. Sound asset quality has always been a basic operating tenet for us and we are committed to maintaining a good quality loan portfolio. As mentioned earlier, we believe the current credit cycle may result in higher loss ratios in 2008, but hopefully only back to the historical levels we experienced prior to 2004. We believe that the allowance for loan losses is adequate to provide for inherent losses in the portfolio.

**Dividend Payouts**

In January and July of 2007, our Board of Directors approved semiannual cash dividends of $0.16 per share of outstanding common stock. These dividends were paid in February and August. This annualized cash dividend of $0.32 per share represented a 14% increase over the per share common stock dividends paid during 2006.

And in January 2008, our Board approved a semi-annual cash dividend of $0.18 per share of outstanding common stock. The dividend was paid on February 21, 2008, to shareholders of record as of February 7, 2008. This cash dividend, on an annualized basis, represents a 13% increase over the per share common stock dividends paid during 2007. Following is a historical summary of our increasing dividend distributions:

| Year | Diluted Earnings | Dividend Per Share | Dividend Payout Ratio |
|---|---|---|---|
| 2007 | $2.24 | $0.320 | 14.3% |
| 2006 | 2.56 | 0.280 | 10.9 |
| 2004 | 2.75 | 0.240 | 8.7 |
| 2003 | 2.34 | 0.200 | 8.5 |
| 2002 | 1.98 | 0.160 | 8.1 |
| 2001 | 1.60 | 0.120 | 7.5 |

While we have increased our dividend every year since we initiated payment of dividends, we continue to retain the majority of our earnings to fund future growth and to build a strong, long-term franchise. Although the payment of future dividends will be subject to our Board s periodic review of the financial condition, earnings, and capital requirements of the Company, it is our present intent to continue paying regular semiannual cash dividends.

Clients Having It All

*I switched from my old bank because you make banking the way it used to be  I get personal service, even though I am hundreds of miles away. Wintrust is more flexible than the larger banks, with tailored products and services that fit my needs.*

*John Petrakis, McDonald s Owner/Operator, Orlando, FL*

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*Our Banking and Wealth Management Locations*

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*Our Other Locations and Our Brands*

**FIRST Insurance/Broadway Premium Finance, Tricom Funding, and WestAmerica Mortgage Distribution**
**Our Bank Brands**
**Our Other Brands**

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*Banking Update*

**Retail Banking**

As we have grown over the years, many wonder how we can stay true to our community banking model. With 15 chartered banks and 77 facilities, it may seem like a challenging task to outsiders. However, our decentralized, multi-chartered approach means that our local leadership teams maintain proper focus on the communities we serve and on our customers.

In 2007, we made a renewed commitment to the customer service experience. We sent mystery shoppers to our retail facilities to gauge how well we are satisfying customer needs and implementing cross-sell initiatives. The shopping results showed that the consistency of the retail experience across our 15 chartered banks is solid, but can always be improved. In a tough interest rate environment where it does not make sense to compete on rates, we believe more than ever before that top-notch customer service is our strongest point of differentiation.

Below is a chart of FDIC deposit market share as of June 30, 2007, for each Wintrust main bank zip code.

| Bank | De Novo Opening | Acquisition Date | Deposit Market Share Rank |
|---|---|---|---|
| 1. Lake Forest Bank | 12/91 | | 1 (out of 10) |
| 2. Hinsdale Bank | 10/93 | | 2 (out of 14) |
| 3. North Shore Bank | 9/94 | | 1 (out of 7) |
| 4. Libertyville Bank | 10/95 | | 1 (out of 9) |
| 5. Barrington Bank | 12/96 | | 2 (out of 9) |
| 6. Crystal Lake Bank | 12/97 | | 2 (out of 15) |
| 7. Northbrook Bank | 11/00 | | 3 (out of 14) |
| 8. Advantage Bank | | 10/03 | 2 (out of 15) |
| 9. Village Bank | | 12/03 | 1 (out of 10) |
| 10. Beverly Bank | 4/04 | | 3 (out of 9) |
| 11. Wheaton Bank | | 9/04 | 3 (out of 19) |
| 12. Town Bank | | 10/04 | 1 (out of 5) |
| 13. State Bank | | 1/05 | 1 (out of 8) |
| 14. Old Plank Bank | 3/06 | | 4 (out of 13) |
| 15. St. Charles Bank | | 5/06 | 16 (out of 20) |

With aggressive marketing, all retail locations are striving increase penetration into their markets and increase market share. The tried-and-true approach is to erode the market share of big bank competitors. Bank mergers and acquisitions in the Chicagoland area generally assist us in this task. We are well-positioned as a customer-centric alternative to the big banks in our markets. This positioning is central to our continued retail growth.

Indeed, as the true community banks in our markets, we provide a number of value-added services that the big banks can t or won t offer. From community shredding days to credit scoring seminars to events for children via our Junior Savers Club to travel clubs for our senior citizen customers, our banks are clearly more than just a place to make deposits. We are fully invested in the communities we serve, and it doesn t just stop at the bank level. Our bankers are actively involved in their communities and local organizations, effectively putting community interests first in all they do.

**Commercial Banking**

In 2006, Wintrust banks enhanced the infrastructure, sales people and products to better enable us to go head to head with larger banks. This year proved to be an opportune time for our aggressive rollout and positioning of these services. Big banks were swallowing up the banking leaders in our Chicago bank market. For the first time in our Company s history we began marketing the Wintrust Financial Corporation name to establish a brand in the commercial banking arena.

Our efforts started with a letter to the top 100 personal banking customers for each individual bank brand that were identified as local businesspersons. The letter introduced Wintrust, but also positioned the bank as locally managed, with local decision making authority. However, we let them in on the fact their local community bank is not just that. Behind their community bank and its superior customer service is a larger financial services company. The response was favorable with many customers surprised and receptive to the news. They know that

Clients Having It All

*My Wintrust Bank is easy to do business with, trusting, accommodating and flexible. They have been great to work with and have made business easier by customizing products to fit my company s specific needs.*

*Todd Augustine, President, Augustine Custom Homes, Inc., Fox Valley Homebuilders Association* our community banks develop and foster relationships, both in personal and commercial banking.

Given the favorable response to our initial efforts, the Company followed up with advertising in local and regional business publications. The original advertisements (three of the four can be viewed on page 6) were based upon one of our more historically successful anti-big bank merger advertisements. From July to December, we ran this campaign of four advertisements, followed with direct mail pieces to targeted commercial and small business lists. The response to our commercial banking initiative has been gratifying. We will continue to pursue growth in this area as we truly believe we can competitively offer all the commercial services that our customers need and do so in a more tailored fashion than our large bank competitors.

Wintrust has also developed a few specialty divisions as needs have become apparent within our commercial banking business. Wintrust Commercial Realty Advisors, based out of our Northbrook Bank, provides brokering services to some of our commercial relationships for loans that do no necessarily fit the criteria for our Banks loan portfolios. Yet, we maintain the primary relationship and receive fees for this service. Wintrust Government Funds is charged with assisting our Banks in the municipal, school districts and other institutional arenas. Physicians Financial Care, based out of our Barrington and Village Banks, is providing specialized, personal and commercial banking, as well as financial planning needs to doctors in our market areas.

For 2008, Wintrust plans to continue aggressive commercial marketing to further spread our message of community bank service, backed by big bank resources and technology. Our clients Have It All and we want prospective clients to know they can too.

Clients Having It All

*At Plastic Bottle Corporation, I m committed to my customers, employees and vendors. I believe in trust and integrity. I expect that from my bank as well, and that s what I get from our banking relationship. We mold plastic bottles, you mold relationships. You ve wanted to understand our business first, and then help with our financial needs. It s a relationship that works.*

*- Stuart Feen, President, Plastic Bottle Corporation*

*Update on Our Other Companies*

**Wayne Hummer Wealth Management**

As one of the oldest and most successful Chicago-based wealth management organizations, Wayne Hummer Wealth Management ( Wayne Hummer ) has more than 170 professionals, over 15,000 clients and approximately $7 billion in client assets under administration. Wayne Hummer marked its fifth year as a Wintrust company in 2007, and it has grown from just two offices to 23 branch locations, mostly in our community banks, in that time.

A provider of comprehensive wealth management services including financial planning, investments, trust services, asset management and insurance, Wayne Hummer has a strong heritage of ethics, integrity, client service and dependability. We offer all the products, technology and capabilities of a national company with the personal service and attention of a boutique wealth management firm.

The strategy of cross-selling Wintrust bank customers our wealth management products and services is working. For 2007, Wayne Hummer s referral program generated more than 2,400 referrals from over 350 Wintrust bankers. Both clients and our bankers are realizing the benefits of getting a complete array of financial solutions from their hometown bank.

Significant investments have been made in the core business as well. In October 2007, Wayne Hummer moved its headquarters to a new location right above Union Station in downtown Chicago. The move allowed Wayne Hummer to centralize all downtown employees to a single floor, resulting in better servicing of our clients needs. We also added 12 net new wealth managers to our stable of professionals.

Since the acquisition of the Wayne Hummer Companies in 2002, we have focused on providing smooth integration of all the wealth management units together and into our banking network. We have successfully established one brand image and upgraded the capabilities throughout the wealth management system. The trust arm of the wealth management companies continues to have success in servicing existing customers and attracting new ones. In fact, in 2007, the trust assets under administration surpassed the $1 billion level. Likewise, our brokerage business continues to grow its revenue base after significant investments in state-of-the-art systems and upgraded product offerings. Growth associated with Financial Advisors located in our banking locations is especially promising with most reporting double-digit growth in their brokerage revenue.

The third aspect of the wealth management business is asset management, an area we are targeting for significant future growth. In order to provide for the growth of this important aspect of the business model, it was essential that we supplement our existing talent base to provide the appropriate infrastructure for growth. To that end, in the first quarter of 2008, the ongoing search for additional senior management resulted in the hiring of a new Chief Investment Officer and new Product Head for our asset management division. We are excited about the opportunities that exist in the marketplace and the national recognition and skill set that recent executive hires are bringing to the table. We intend to build a comprehensive array of products to fill out a diversified aggregate portfolio. Our steadfast commitment

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to invest in and grow the asset management business coupled with the rich heritage of the Wayne Hummer franchise should enable us to develop new winning investment strategies for our private clients and institutional investors.

**WestAmerica Mortgage Company**

In 2007, WestAmerica focused on improving operating efficiencies, boosting service standards and managing every production branch to contribute to overall profitability. This