

# WINTRUST FINANCIAL CORP

## FORM 10-K (Annual Report)

Filed 3/27/2003 For Period Ending 12/31/2002

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Industry	Regional Banks
Sector	Financial
Fiscal Year	12/31

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

**FORM 10-K**

**[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

For the fiscal year ended December 31, 2002

**WINTRUST FINANCIAL CORPORATION**

(Exact name of registrant as specified in its charter)

0-21923

*Commission File Number*

ILLINOIS

(State of incorporation or organization)

36-3873352

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

**727 NORTH BANK LANE**  
**LAKE FOREST, ILLINOIS 60045**  
(Address of principal executive offices)

(847) 615-4096

(Registrant's telephone number, including area code)

**COMMON STOCK, NO PAR VALUE\***

**9.00% CUMULATIVE TRUST PREFERRED SECURITIES (AND RELATED GUARANTEE)**

**10.50% CUMULATIVE TRUST PREFERRED SECURITIES (AND RELATED GUARANTEE)**

**Securities registered pursuant to Section 12(g) of the Act**

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. \_\_\_

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). X Yes No

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The aggregate market value of the voting stock held by non-affiliates of the registrant on June 28, 2002 (the last business day of the registrant's most recently completed second quarter), determined using the closing price of the common stock on that day of \$34.57, as reported by the Nasdaq National Market, was \$548,394,039.

As of March 19, 2003, the registrant had 17,364,380 shares of Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Annual Report to Shareholders for the year ended December 31, 2002, which is included as Exhibit 13.1 to this Form 10-K, are incorporated by reference into Parts I and II hereof and portions of the Proxy Statement for the Company's Annual Meeting of Shareholders to be held on May 22, 2003 are incorporated by reference into Part III.

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\* INCLUDING PREFERRED SHARE PURCHASE RIGHTS RELATED THERETO

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## PART I

### ITEM 1. BUSINESS

Wintrust Financial Corporation, an Illinois corporation (the "Company"), is a financial holding company based in Lake Forest, Illinois, with total assets of approximately \$3.7 billion at December 31, 2002. The Company engages in the business of providing traditional 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.

The Company provides community-oriented, personal and commercial banking services to customers located predominantly in affluent suburbs of Chicago, Illinois through its seven wholly-owned banking subsidiaries (collectively, "Banks"), all of which started as de novo (i.e., started new) institutions, including Lake Forest Bank and Trust Company ("Lake Forest Bank"), Hinsdale Bank and Trust Company ("Hinsdale Bank"), North Shore Community Bank and Trust Company ("North Shore Bank"), Libertyville Bank and Trust Company ("Libertyville Bank"), Barrington Bank and Trust Company, N.A. ("Barrington Bank"), Crystal Lake Bank & Trust Company, N.A. ("Crystal Lake Bank"), and Northbrook Bank & Trust Company ("Northbrook Bank").

The Company provides trust and investment services in the communities served by the Banks through its wholly-owned subsidiary, Wayne Hummer Trust Company, N.A. ("WHTC"), formerly known as Wintrust Asset Management Company, N.A. Through Wayne Hummer Investments, LLC ("WHI") and Wayne Hummer Asset Management Company ("WHAMC"), firms the Company acquired in February 2002 to expand its wealth management business, the Company provides brokerage and asset management services to over 35,000 customers, primarily in the Midwest, as well as to customers of the Banks. In addition, Focused Investment, LLC ("FI"), which is a wholly-owned subsidiary of WHI, provides a full range of investment services to individuals through a network of relationships with community-based financial institutions in Illinois. The Company provides financing for the payment of commercial insurance premiums ("premium finance receivables"), on a national basis, through First Insurance Funding Corporation ("FIFC"), a wholly-owned subsidiary of Crabtree Capital Corporation ("Crabtree") which is a wholly-owned subsidiary of Lake Forest Bank. Tricom, Inc. of Milwaukee ("Tricom"), a wholly-owned subsidiary of Hinsdale Bank, provides short-term accounts receivable financing ("Tricom finance receivables") and out-sourced administrative services, such as data processing of payrolls, billing and cash management services, to clients in the temporary staffing industry located throughout the United States. Through Hinsdale Bank, the Company operates its indirect auto segment, which provides new and used automobile loans through a large network of auto dealerships within the Chicago metropolitan area. All indirect auto loans are currently being purchased by the Banks and retained within their loan portfolios.

As a mid-size financial services company, management expects to benefit from greater access to financial and managerial resources while maintaining its commitment to local decision-making and to its community banking philosophy. Management also believes the Company is positioned to compete more effectively with other larger and more diversified banks, bank holding

companies and other financial services companies as it continues its growth strategy through additional branch openings and de novo bank formations, expansion of trust and investment activities, pursuit of specialized earning asset niches and potential acquisitions of banks or specialty finance companies.

Additional information regarding the Company's business and strategies is included in the "Management's Discussion and Analysis" section of the 2002 Annual Report to Shareholders, which is filed as Exhibit 13.1 to this Form 10-K and Item 8 under "Supplemental Statistical Data". Such information is incorporated herein by reference and constitutes a part of this report.

## **COMMUNITY BANKING**

The Company provides banking and financial services to individuals, small to mid-sized businesses, local governmental units and institutional clients residing primarily in the Banks' local service areas. These services include traditional demand, NOW, money market, savings and time deposit accounts, as well as a number of unique deposit products targeted to specific market segments. The Banks offer home equity, home mortgage, consumer, real estate and commercial loans, safe deposit facilities, ATMs, and other innovative and traditional services specially tailored to meet the needs of customers in their market areas.

Each of the Banks was founded as a de novo banking organization within the last twelve years. The organizational efforts began in 1991, when a group of experienced bankers and local business people identified an unfilled niche in the Chicago metropolitan area retail banking market. As large banks acquired smaller ones and personal service was subjected to consolidation strategies, the opportunity increased in affluent suburbs for locally owned and operated, highly personal service-oriented banks. As a result, Lake Forest Bank was founded in December 1991 to service the Lake Forest and Lake Bluff communities. In 1994, Lake Forest Bank opened a branch office in Lake Bluff. In early 2000 Lake Forest Bank opened a branch in Highwood to serve the Highwood-Fort Sheridan communities, and in 2002, Lake Forest Bank opened a branch in Highland Park. In 1993, Hinsdale Bank was opened to service the communities of Hinsdale and Burr Ridge. Hinsdale Bank established branch facilities in Clarendon Hills and Western Springs in 1996 and 1997, respectively. In early 2002, Hinsdale Bank opened a branch in Riverside. In 1994, North Shore Bank was started in order to service Wilmette and Kenilworth. North Shore Bank opened branch facilities in Glencoe during 1995 and 1998, in Winnetka during 1996 to service Winnetka and Northfield, and in Skokie during 1999. In 1995, Libertyville Bank was opened to service Libertyville, Vernon Hills and Mundelein. Libertyville Bank opened a branch facility in south Libertyville during 1998 to service south Libertyville and Vernon Hills and in Wauconda during 2000. In December 1996, Barrington Bank was opened to service the greater Barrington/Inverness areas, and in September 2001, Barrington Bank established a branch facility in Hoffman Estates. In December 1997, Crystal Lake Bank was opened to serve the Crystal Lake/Cary communities, and in 1999 Crystal Lake Bank opened two new branch facilities in Crystal Lake. In February 2001, Crystal Lake Bank opened a branch facility in McHenry, and in early 2003 Crystal Lake Bank opened a branch facility in Cary. In November 2000, Northbrook Bank opened to serve the Northbrook, Glenview and Deerfield communities. All Banks are insured by the Federal Deposit Insurance Company ("FDIC") and are subject to regulation, supervision and regular examination by the Illinois Office of Banks and Real Estate, the Federal Reserve Bank and/or the Office of the Comptroller of Currency ("OCC").

## **WEALTH MANAGEMENT ACTIVITIES**

The Company offers trust and investment management services in the communities served by the banks through its trust company subsidiary that is now called Wayne Hummer Trust Company, N.A. ("WHTC"). Assets under management by WHTC as of December 31, 2002 were approximately \$445 million. WHTC is subject to regulation, supervision and regular examination by the OCC.

To expand its asset management business and to enter into the securities brokerage business, in February 2002, the Company acquired Wayne Hummer Investments, LLC, ("WHI"), a registered broker-dealer, Wayne Hummer Asset Management Company, ("WHAMC"), a registered investment adviser, and Focused Investments LLC, ("FI"), a broker-dealer and wholly-owned subsidiary of WHI, each based in Chicago. WHI, WHAMC and FI are collectively referred to as the Wayne Hummer Companies. The acquisition has enabled the Company to augment its fee-based revenue and to diversify its revenue stream by adding brokerage services as well as offering traditional banking products to the customers of the Wayne Hummer Companies.

Through WHI, the Company provides a full range of private client and securities brokerage services to approximately 35,000 customers, located primarily in the Midwest, with client assets of approximately \$4.0 billion at December 31, 2002. FI provides a full range of investment services to clients through a network of relationships with community-based financial institutions primarily in Illinois. WHAMC provides money management services and advisory services to individual and institutional accounts, as well as four proprietary mutual funds, and also provides portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHAMC had approximately \$700 million of assets under management at December 31, 2002.

To further expand the Company's wealth management business in the Chicago metropolitan area, on February 4, 2003, the Company completed the acquisition of Lake Forest Capital Management Company. Lake Forest Capital Management, a registered investment adviser with approximately \$300 million of assets under management as of December 31, 2002, will operate as a separate division of Wayne Hummer Asset Management Company.

## **SPECIALTY LENDING**

FIFC commenced operations ten years ago and is headquartered in Northbrook, Illinois. Through FIFC the Company makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the nation. The insurance premiums financed are primarily for commercial customers' purchases of liability, property and casualty and other commercial insurance. This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment may be more susceptible to third party fraud. The majority of these loans are purchased by the Banks in order to more fully utilize their lending capacity. These loans generally provide the Banks higher yields than alternative investments. Since the second quarter of 1999, the Company has also been selling some of the loan originations to an unrelated third party with servicing

retained. FIFC is licensed or otherwise qualified to do business as an insurance premium finance company in all 50 states and the District of Columbia. Tricom was acquired by Hinsdale Bank in October 1999 as part of the Company's strategy to pursue specialty lending niches. It is located in Milwaukee, Wisconsin and has been in business over eleven years. Through Tricom, the Company provides high-yielding, short-term accounts receivable financing and value-added, outsourced administrative services, such as data processing of payrolls, billing and cash management services to the temporary staffing industry. Tricom's clients, located throughout the United States, provide staffing services to businesses in diversified industries. During 2002, Tricom processed payrolls with associated client billings of approximately \$244.7 million and contributed \$7.7 million of revenues, net of interest expense, to the Company.

We engage in other specialty lending through divisions of our Banks, including indirect auto lending which we conduct through a division of Hinsdale Bank. The indirect automobile loans are diversified among many individual borrowers, secured by new and used automobiles and are generated by a network of automobile dealers located in the Chicago area with which we have established relationships. Like other consumer loans, the indirect auto loans are subject to the Banks' established credit standards. We regard substantially all of these loans as prime quality loans. Management continually monitors the dealer relationships to deter third party fraud, and the Banks are not dependent on any one dealer as a source of such loans. At December 31, 2002, our indirect auto loans were \$178.2 million and comprised approximately 7% of our loan portfolio. Management is not pursuing growth in this segment and anticipates that this portfolio will comprise a smaller portion of the net loan portfolio in the future.

## **COMPETITION**

The Company competes in the commercial banking industry through the Banks in the communities each serves. The commercial banking industry is highly competitive, and the Banks face strong direct competition for deposits, loans, and other financial-related services. The Banks compete directly in Cook, DuPage, Lake and McHenry counties with other commercial banks, thrifts, credit unions, stockbrokers, and the finance divisions of automobile companies. Some of these competitors are local, while others are statewide or nationwide. The Banks have developed a community banking and marketing strategy. In keeping with this strategy, the Banks provide highly personalized and responsive service, a characteristic of locally-owned and managed institutions. As such, the Banks compete for deposits principally by offering depositors a variety of deposit programs, convenient office locations, hours and other services, and for loan originations primarily through the interest rates and loan fees they charge, the efficiency and quality of services they provide to borrowers and the variety of their loan products. Some of the financial institutions and financial services organizations with which the Banks compete are not subject to the same degree of regulation as imposed on financial holding companies, Illinois banking corporations and national banking associations. In addition, the larger banking organizations have significantly greater resources than are available to the Banks. As a result, such competitors have advantages over the Banks in providing certain non-deposit services.

FIFC encounters intense competition from numerous other firms, including a number of national commercial premium finance companies, companies affiliated with insurance carriers, independent insurance brokers who offer premium finance services, banks and other lending institutions. Some

of FIFC's competitors are larger and have greater financial and other resources and are better known than FIFC. FIFC competes with these entities by emphasizing a high level of knowledge of the insurance industry, flexibility in structuring financing transactions, and the timely purchase of qualifying contracts. FIFC believes that its commitment to account service also distinguishes it from its competitors. It is FIFC's policy to notify the insurance agent when an insured is in default and to assist in collection, if requested by the agent. To the extent that affiliates of insurance carriers, banks, and other lending institutions add greater service and flexibility to their financing practices in the future, the Company's operations could be adversely affected. There can be no assurance that FIFC will be able to continue to compete successfully in its markets.

The Company's wealth management companies (WHTC, WHI, WHAMC and FI) compete with more established wealth management subsidiaries of other larger bank holding companies as well as with other trust companies, brokerage and other financial service companies, stockbrokers and financial advisors. The Company believes it can successfully compete for trust, asset management and brokerage business by offering personalized attention and customer service to small to mid-size businesses and affluent individuals. The hiring of several experienced professionals from the more established Chicago area trust and asset management companies is also expected to help in attracting new customer relationships. The Company will expand its asset management business in 2003 with its acquisition of Lake Forest Capital Management, a registered investment advisor located in Lake Forest, one of Wintrust's primary business areas. Lake Forest Capital Management had approximately \$300 million of assets under management as of December 31, 2002, and will operate as a division of WHAMC. There can be no assurances, however, that WHTC, WHI, WHAMC and FI will be successful in establishing themselves as a preferred alternative to the larger trust and asset management companies, and that the Company will be successful in the integration of Lake Forest Capital Management into the Wintrust organization.

Tricom competes with numerous other firms, including a small number of similar niche finance companies and payroll processing firms, as well as various finance companies, banks and other lending institutions. Tricom management believes that its commitment to service distinguishes itself from competitors. To the extent that other finance companies, financial institutions and payroll processing firms add greater programs and services to their existing businesses, Tricom's operations could be adversely affected. There can be no assurance that Tricom will be able to continue to compete successfully in its markets.

## **EMPLOYEES**

At December 31, 2002, the Company and its subsidiaries employed a total of 822 full-time-equivalent employees. The Company provides its employees with comprehensive medical and dental benefit plans, life insurance plans, 401(k) plans and an employee stock purchase plan. The Company considers its relationship with its employees to be good.

## **AVAILABLE INFORMATION**

The Company's internet address is [www.wintrust.com](http://www.wintrust.com). The Company makes available at this address, free of charge, its annual report on Form 10-K, its annual reports to shareholders, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is electronically filed, or furnished to, the SEC.

## **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 condition from expected developments 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, wealth management entities or specialty finance businesses. Actual results could differ materially from those addressed in the forward-looking statements as a result of numerous factors, including the following:

- o The level of reported net income, return on average assets and return on average equity for the Company will in the near term continue to be impacted by start-up costs associated with de novo bank formations, branch openings, and expanded wealth management services. De novo banks 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 wealth management services through the Company's acquisition of the Wayne Hummer Companies and Lake Forest Capital Management will depend on the successful integration of these businesses.
- o The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- o Although management believes the allowance for loan losses is adequate to absorb losses inherent in the existing portfolio of loans and leases, there can be no assurance that the allowance will prove sufficient to cover actual loan or lease losses.
- o If market interest rates should move contrary to the Company's gap position on interest earning assets and interest bearing liabilities, the "gap" will work against the Company and its net interest income may be negatively affected.
- o The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- o The Company's ability to adapt successfully to technological changes to compete effectively in the marketplace.
- o Unforeseen future events that may cause slower than anticipated development and growth of the Tricom business and/or changes in the temporary staffing industry.

o Changes in the economic environment, competition, or other factors, may influence the anticipated growth rate of loans and deposits, the quality of the loan portfolio and the pricing of loans and deposits and may affect the Company's ability to successfully pursue acquisition and expansion strategies.

o The conditions in the financial markets and economic conditions generally, as well as unforeseen future events surrounding the wealth management business, including competition and related pricing of brokerage, trust and asset management products.

## **SUPERVISION AND REGULATION**

Bank holding companies, banks and investment firms are extensively regulated under federal and state law. References under this heading to applicable statutes or regulations are brief summaries or portions thereof which do not purport to be complete and which are qualified in their entirety by reference to those statutes and regulations. Any change in applicable laws or regulations may have a material effect on the business of commercial banks and bank holding companies, including the Company, the Banks, FIFC, WHTC, WHI, WHAMC, FI and Tricom. However, management is not aware of any current recommendations by any regulatory authority which, if implemented, would have or would be reasonably likely to have a material effect on liquidity, capital resources, or operations of the Company, the Banks, FIFC, WHTC, WHI, WHAMC, FI or Tricom. The supervision, regulation and examination of banks and bank holding companies by bank regulatory agencies are intended primarily for the protection of depositors rather than stockholders of banks and bank holding companies.

## **BANK HOLDING COMPANY REGULATION**

In connection with its acquisition of the Wayne Hummer Companies, in early 2002 the Company became a "financial holding company" as provided in the Gramm-Leach-Bliley Act (the "GLB Act"). The GLB Act, enacted in November 1999, established a comprehensive framework to permit affiliations among commercial banks, insurance companies and securities firms. Under the GLB Act, bank holding companies approved as financial holding companies may engage in an expanded range of activities, including the businesses conducted by the Wayne Hummer Companies. Banking subsidiaries of financial holding companies are required to be "well capitalized" and "well-managed" as defined in the applicable regulatory standards. If these conditions are not maintained, and the financial holding company fails to correct any deficiency within 180 days, the Federal Reserve may require the Company to either divest control of its banking subsidiaries or, at the election of the Company, cease to engage in any activities not permissible for a bank holding company.

The Company continues to be subject to supervision and regulation by the Federal Reserve under the Bank Holding Company Act (the Bank Holding Company Act, as amended by the GLB Act, and the regulations issued thereunder, are collectively the "BHC Act"). The Company is required to file with the Federal Reserve periodic reports and such additional information as the Federal Reserve may require pursuant to the BHC Act. The Federal Reserve examines the Company and may examine the Banks and the Company's other subsidiaries.

The BHC Act requires prior Federal Reserve approval for, among other things, the acquisition by a bank holding company of direct or indirect ownership or control of more than 5% of the voting shares or substantially all the assets of any bank, or for a merger or consolidation of a bank holding company with another bank holding company. With certain exceptions, the BHC Act prohibits a financial holding company from acquiring direct or indirect ownership or control of voting shares of any company which is not a business that is financial in nature or incidental thereto, and from engaging directly or indirectly in any activity that is not financial in nature or incidental thereto. Also, as discussed below, the Federal Reserve expects bank holding companies to maintain strong capital positions while experiencing growth. The Federal Reserve, as a matter of policy, may require a bank holding company to be well-capitalized at the time of filing an acquisition application and upon consummation of the acquisition.

Under the BHC Act and Federal Reserve regulations, the Company and the Banks are prohibited from engaging in certain tie-in arrangements in connection with an extension of credit, lease, sale of property, or furnishing of services. That means that, except with respect to traditional banking products, the Banks may not condition a customer's purchase of services on the purchase of other services from any of the Banks or other subsidiaries of the Company.

Under the Illinois Banking Act, any person who acquires more than 10% of the Company's stock may be required to obtain the prior approval of the Commissioner of the Illinois Office of Banks and Real Estate (the "Illinois Commissioner"). Similarly, under the Change in Bank Control Act, a person may be required to obtain the prior regulatory approval of the Federal Reserve or the Office of the Comptroller of the Currency (the "OCC") before acquiring control of 10% or more of any class of the Company's outstanding stock.

It is the policy of the Federal Reserve that the Company is expected to act as a source of financial strength to its subsidiaries, and to commit resources to support the subsidiaries. The Federal Reserve takes the position that in implementing this policy, it may require the Company to provide such support when the Company otherwise would not consider itself able to do so.

The Federal Reserve has adopted risk-based capital requirements for assessing bank holding company capital adequacy. These standards define regulatory capital and establish minimum capital ratios in relation to assets, both on an aggregate basis and as adjusted for credit risks and off-balance sheet exposures. Under the Federal Reserve's risk-based guidelines, capital is classified into two categories. For bank holding companies, Tier 1 capital, or "core" capital, consists of common stockholders' equity, qualifying noncumulative perpetual preferred stock (including related surplus), qualifying cumulative perpetual preferred stock (including related surplus) (subject to certain limitations) and minority interests in the common equity accounts of consolidated subsidiaries, and is reduced by goodwill and specified intangible assets ("Tier 1 Capital"). Tier 2 capital, or "supplementary" capital, consists of the following items, all of which are subject to certain conditions and limitations: the allowance for loan and lease losses; perpetual preferred stock and related surplus; hybrid capital instruments; unrealized holding gains on marketable equity securities; perpetual debt and mandatory convertible debt securities; term subordinated debt and intermediate-term preferred stock.

Under the Federal Reserve's capital guidelines, bank holding companies are required to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum leverage ratio

of Tier 1 Capital to total assets of 3.0% for strong bank holding companies (those rated a composite "1" under the Federal Reserve's rating system). For all other bank holding companies, the minimum ratio of Tier 1 Capital to total assets is 4%. In addition, the Federal Reserve continues to consider the Tier 1 leverage ratio (Tier 1 capital to average quarterly assets) in evaluating proposals for expansion or new activities.

In its capital adequacy guidelines, the Federal Reserve emphasizes that the foregoing standards are supervisory minimums and that banking organizations generally are expected to operate well above the minimum ratios. These guidelines also provide that banking organizations experiencing growth, whether internally or by making acquisitions, are expected to maintain strong capital positions substantially above the minimum levels. As a Financial Holding Company, the Company's depository institutions are required to maintain their capital positions at the "well-capitalized" level.

As of December 31, 2002, the Company's total capital to risk-weighted assets ratio was 9.4%, its Tier 1 Capital to risk-weighted asset ratio was 8.0% and its leverage ratio was 7.0%.

**DIVIDEND LIMITATIONS.** Because the Company's consolidated net income consists largely of net income of the Banks and its non-bank subsidiaries, the Company's ability to pay dividends depends upon its receipt of dividends from these entities. Federal and state statutes and regulations impose restrictions on the payment of dividends by the Company, the Banks and its non-bank subsidiaries. See Part II, Item 5 for further discussion of dividend limitations.

Federal Reserve policy provides that a bank holding company should not pay dividends unless (i) the bank holding company's net income over the prior year is sufficient to fully fund the dividends and (ii) the prospective rate of earnings retention appears consistent with the capital needs, asset quality and overall financial condition of the bank holding company and its subsidiaries. Additionally, the Federal Reserve possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to prohibit or limit the payment of dividends by bank holding companies.

Illinois law also places certain limitations on the ability of the Company to pay dividends. For example, the Company may not pay dividends to its shareholders if, after giving effect to the dividend, the Company would not be able to pay its debts as they become due. Since a major potential source of the Company's revenue is dividends the Company expects to receive from the Banks, the Company's ability to pay dividends is likely to be dependent on the amount of dividends paid by the Banks. No assurance can be given that the Banks will, in any circumstances, pay dividends to the Company.

## **BANK REGULATION**

Lake Forest Bank, Hinsdale Bank, North Shore Bank, Libertyville Bank and Northbrook Bank are Illinois-chartered banks and as such they and their subsidiaries are subject to supervision and examination by the Illinois Commissioner. As an affiliate of these Banks, the Company is also subject to examination by the Illinois Commissioner. Barrington Bank, Crystal Lake Bank and WHTC are federally-chartered banks and are subject to supervision and examination by the OCC pursuant to the National Bank Act and regulations promulgated thereunder. Each of the

Banks and WHTC are members of the Federal Reserve Bank and, as such, is also subject to examination by the Federal Reserve. The deposits of the Banks are insured by the Bank Insurance Fund under the provisions of the Federal Deposit Insurance Act (the "FDIA"), and the Banks are, therefore, also subject to supervision and examination by the FDIC. FDIA requires that the appropriate federal regulatory authority (the Federal Reserve Bank in the case of Lake Forest Bank, North Shore Bank, Hinsdale Bank, Libertyville Bank and Northbrook Bank, or the OCC, in the case of Barrington Bank and Crystal Lake Bank) approve any merger and/or consolidation by or with an insured bank, as well as the establishment or relocation of any bank or branch office. The FDIA also gives the Federal Reserve, the OCC and the other federal bank regulatory agencies power to issue cease and desist orders against either banks, holding companies or persons regarded as "institution affiliated parties." A cease and desist order can either prohibit such entities from engaging in certain unsafe and unsound bank activity or can require them to take certain affirmative action. The FDIC also supervises compliance with the provisions of federal law and regulations which, in addition to other requirements, place restrictions on loans by FDIC-insured banks to their directors, executive officers and other controlling persons.

## **FINANCIAL INSTITUTION REGULATION GENERALLY**

**TRANSACTIONS WITH AFFILIATES.** Transactions between a bank and its holding company or other affiliates are subject to various restrictions imposed by state and federal regulatory agencies. Such transactions include loans and other extensions of credit, purchases of securities and other assets, and payments of fees or other distributions. In general, these restrictions limit the amount of transactions between an institution and an affiliate of such institution, as well as the aggregate amount of transactions between an institution and all of its affiliates, and require transactions with affiliates to be on terms comparable to those for transactions with unaffiliated entities.

**CAPITAL REQUIREMENTS.** Capital requirements for the Banks generally parallel the capital requirements previously noted for bank holding companies. Each of the Banks is subject to applicable capital requirements on a separate company basis. The federal banking regulators must take prompt corrective action with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. There are five capital tiers: "well-capitalized", "adequately-capitalized", "undercapitalized", "significantly undercapitalized" and "critically undercapitalized". As of December 31, 2002, each of the Company's Banks was categorized as "well-capitalized." Because the Company is designated as a financial holding company, each of the Banks is required to maintain capital ratios at or above the "well-capitalized" levels.

**PROMPT CORRECTIVE ACTION.** The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") requires the federal banking regulators, including the Federal Reserve, the OCC and the FDIC, to take prompt corrective action with respect to depository institutions that fall below minimum capital standards and prohibits any depository institution from making any capital distribution that would cause it to be undercapitalized. Institutions that are not adequately capitalized may be subject to a variety of supervisory actions including, but not limited to, restrictions on growth, investment activities, capital distributions and affiliate transactions and will be required to submit a capital restoration plan which, to be accepted by

the regulators, must be guaranteed in part by any company having control of the institution (such as the Company). In other respects, FDICIA provides for enhanced supervisory authority, including greater authority for the appointment of a conservator or receiver for undercapitalized institutions. The capital-based prompt corrective action provisions of FDICIA and their implementing regulations apply to FDIC-insured depository institutions. However, federal banking agencies have indicated that, in regulating bank holding companies, the agencies may take appropriate action at the holding company level based on their assessment of the effectiveness of supervisory actions imposed upon subsidiary insured depository institutions pursuant to the prompt corrective action provisions of FDICIA.

**DIVIDENDS.** As Illinois state-chartered banks, Lake Forest Bank, North Shore Bank, Hinsdale Bank, Libertyville Bank and Northbrook Bank may not pay dividends in an amount greater than their current net profits after deducting losses and bad debts out of undivided profits provided that its surplus equals or exceeds its capital. For the purpose of determining the amount of dividends that an Illinois bank may pay, bad debts are defined as debts upon which interest is past due and unpaid for a period of six months or more unless such debts are well-secured and in the process of collection. Furthermore, federal regulations also prohibit any Federal Reserve member bank, including each of the Banks and WHTC, from declaring dividends in any calendar year in excess of its net income for the year plus the retained net income for the preceding two years, less any required transfers to the surplus account. Similarly, as national associations supervised by the OCC, Barrington Bank, Crystal Lake Bank and WHTC may not declare dividends in any year in excess of its net income for the year plus the retained net income for the preceding two years, less any required transfers to the surplus account. Furthermore, the OCC may, after notice and opportunity for hearing, prohibit the payment of a dividend by a national bank if it determines that such payment would constitute an unsafe or unsound practice.

In addition to the foregoing, the ability of the Company, the Banks and WHTC to pay dividends may be affected by the various minimum capital requirements and the capital and non-capital standards established under the FDICIA, as described below. The right of the Company, its shareholders and its creditors to participate in any distribution of the assets or earnings of its subsidiaries is further subject to the prior claims of creditors of the respective subsidiaries.

**STANDARDS FOR SAFETY AND SOUNDNESS.** The FDIA, as amended by FDICIA and the Riegle Community Development and Regulatory Improvement Act of 1994 requires the Federal Reserve, together with the other federal bank regulatory agencies, to prescribe standards of safety and soundness, by regulations or guidelines, relating generally to operations and management, asset growth, asset quality, earnings, stock valuation, and compensation. The Federal Reserve, the OCC and the other federal bank regulatory agencies have adopted a set of guidelines prescribing safety and soundness standards pursuant to FDICIA, as amended. The guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee,

director or principal shareholder. In addition, each of the Federal Reserve and the OCC adopted regulations that authorize, but do not require, the Federal Reserve or the OCC, as the case may be, to order an institution that has been given notice by the Federal Reserve or the OCC, as the case may be, that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the Federal Reserve or the OCC, as the case may be, must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized association is subject under the "prompt corrective action" provisions of FDICIA. If an institution fails to comply with such an order, the Federal Reserve or the OCC, as the case may be, may seek to enforce such order in judicial proceedings and to impose civil money penalties. The Federal Reserve, the OCC and the other federal bank regulatory agencies also adopted guidelines for asset quality and earnings standards.

A range of other provisions in FDICIA include requirements applicable to: closure of branches; additional disclosures to depositors with respect to terms and interest rates applicable to deposit accounts; uniform regulations for extensions of credit secured by real estate; restrictions on activities of and investments by state-chartered banks; modification of accounting standards to conform to generally accepted accounting principles including the reporting of off-balance sheet items and supplemental disclosure of estimated fair market value of assets and liabilities in financial statements filed with the banking regulators; increased penalties in making or failing to file assessment reports with the FDIC; greater restrictions on extensions of credit to directors, officers and principal shareholders; and increased reporting requirements on agricultural loans and loans to small businesses.

In addition, the Federal Reserve, OCC, FDIC and other federal banking agencies adopted a final rule, which modified the risk-based capital standards, to provide for consideration of interest rate risk when assessing the capital adequacy of a bank. Under this rule, the Federal Reserve, the OCC and the FDIC must explicitly include a bank's exposure to declines in the economic value of its capital due to changes in interest rates as a factor in evaluating a bank's capital adequacy. The Federal Reserve, the FDIC, the OCC and other federal banking agencies also have adopted a joint agency policy statement providing guidance to banks for managing interest rate risk. The policy statement emphasizes the importance of adequate oversight by management and a sound risk management process. The assessment of interest rate risk management made by the banks' examiners will be incorporated into the banks' overall risk management rating and used to determine the effectiveness of management.

**INSURANCE OF DEPOSIT ACCOUNTS.** Under FDICIA, as an FDIC-insured institution, each of the Banks is required to pay deposit insurance premiums based on the risk it poses to the Bank Insurance Fund ("BIF"). The FDIC has authority to raise or lower assessment rates on insured deposits in order to achieve statutorily required reserve ratios in the insurance funds and to impose special additional assessments. Each depository institution is assigned to one of three capital groups: "well capitalized," "adequately capitalized" or "undercapitalized." An institution is considered well capitalized if it has a total risk-based capital ratio of 10% or greater, has a Tier 1 risk-based capital ratio of 6% or greater, has a leverage ratio of 5% or greater and is not subject to any order or written directive to meet and maintain a specific capital level. An "adequately capitalized" institution is defined as one that has a total risk-based capital

ratio of 8% or greater, has a Tier 1 risk-based capital ratio of 4% or greater, has a leverage ratio of 4% or greater and does not meet the definition of a well capitalized bank. An institution is considered "undercapitalized" if it does not meet the definition of "well capitalized" or "adequately capitalized." Within each capital group, institutions are assigned to one of three supervisory subgroups: "A" (institutions with few minor weaknesses), "B" (institutions which demonstrate weaknesses which, if not corrected, could result in significant deterioration of the institution and increased risk of loss to the BIF), and "C" (institutions that pose a substantial probability of loss to BIF unless effective corrective action is taken). Accordingly, there are nine combinations of capital groups and supervisory subgroups to which varying assessment rates are applicable. An institution's assessment rate depends on the capital category and supervisory category to which it is assigned.

During 2002, the Banks paid deposit insurance premiums in the aggregate amount of \$407,000.

Deposit insurance may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. Such terminations can only occur, if contested, following judicial review through the federal courts. The management of each of the Banks does not know of any practice, condition or violation that might lead to termination of deposit insurance.

**FEDERAL RESERVE SYSTEM.** The Banks are subject to Federal Reserve regulations requiring depository institutions to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The Federal Reserve, regulations generally require 3.0% reserves on the first \$42.8 million of transaction accounts plus 10.0% on the remainder. The first \$5.5 million of otherwise reservable balances (subject to adjustments by the Federal Reserve) are exempted from the reserve requirements. The Banks are in compliance with the foregoing requirements.

**COMMUNITY REINVESTMENT.** Under the Community Reinvestment Act ("CRA"), a financial institution has a continuing and affirmative obligation, consistent with the safe and sound operation of such institution, to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. However, institutions are rated on their performance in meeting the needs of their communities. Performance is judged in three areas: (a) a lending test, to evaluate the institution's record of making loans in its assessment areas; (b) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing and programs benefiting low or moderate income individuals and business; and (c) a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices. The CRA requires each federal banking agency, in connection with its examination of a financial institution, to assess and assign one of four ratings to the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by the institution, including applications for charters, branches and other deposit facilities, relocations, mergers, consolidations, acquisitions of assets or assumptions of liabilities, and savings and loan holding company acquisitions. The

CRA also requires that all institutions make public disclosure of their CRA ratings. Each of the Banks received a "satisfactory" rating from either the Federal Reserve or OCC on their most recent CRA performance evaluations. Because the Company is a financial holding company, failure of any of the Banks to maintain "satisfactory" CRA ratings could restrict further expansion of the Company's or the Banks' activities.

**BROKERED DEPOSITS.** Well-capitalized institutions are not subject to limitations on brokered deposits, while an adequately capitalized institution is able to accept, renew or rollover brokered deposits only with a waiver from the FDIC and subject to certain restrictions on the yield paid on such deposits. Undercapitalized institutions are not permitted to accept brokered deposits. Each of the Banks is eligible to accept brokered deposits (as a result of its capital levels) and may use this funding source from time to time when management deems it appropriate from an asset/liability management perspective.

**ENFORCEMENT ACTIONS.** Federal and state statutes and regulations provide financial institution regulatory agencies with great flexibility to undertake enforcement action against an institution that fails to comply with regulatory requirements, particularly capital requirements. Possible enforcement actions range from the imposition of a capital plan and capital directive to civil money penalties, cease and desist orders, receivership, conservatorship or the termination of deposit insurance.

**COMPLIANCE WITH CONSUMER PROTECTION LAWS.** The Banks are also subject to many federal consumer protection statutes and regulations including the CRA, the Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Real Estate Settlement Procedures Act and the Home Mortgage Disclosure Act. Among other things, these acts:

- o require banks to meet the credit needs of their communities;
- o require banks to disclose credit terms in meaningful and consistent ways;
- o prohibit discrimination against an applicant in any consumer or business credit transaction;
- o prohibit discrimination in housing-related lending activities;
- o require banks to collect and report applicant and borrower data regarding loans for home purchases or improvement projects;
- o require lenders to provide borrowers with information regarding the nature and cost of real estate settlements;
- o prohibit certain lending practices and limit escrow account amounts with respect to real estate transactions; and
- o prescribe possible penalties for violations of the requirements of consumer protection statutes and regulations.

**INTERSTATE BANKING AND BRANCHING LEGISLATION.** Under the Riegle-Neal Interstate Banking and Efficiency Act of 1994 (the "Interstate Banking Act"), adequately capitalized and adequately managed bank holding companies are allowed to acquire banks across state lines subject to

certain limitations. In addition, under the Interstate Banking Act, banks are permitted, under certain circumstances, to merge with one another across state lines and thereby create a main bank with branches in separate states. After establishing branches in a state through an interstate merger transaction, a bank may establish and acquire additional branches at any location in the state where any bank involved in the interstate merger could have established or acquired branches under applicable federal and state law.

### **BROKER-DEALER AND INVESTMENT ADVISER REGULATION**

The broker-dealers and investment advisers are subject to extensive regulation under federal and state securities laws. These firms are required to be registered with the Securities and Exchange Commission, although much of their regulation and examination has been delegated to self-regulatory organizations ("SROs") that the SEC oversees, including the National Association of Securities Dealers and the national securities exchanges. In addition to SEC rules and regulations, the SROs adopt rules, subject to approval of the SEC, that govern all aspects of business in the securities industry and conduct periodic examinations of member firms. These businesses are also subject to regulation by state securities commissions in states where they conduct business.

As a result of federal and state registrations and SRO memberships, the Wayne Hummer Companies are subject to over-lapping schemes of regulation which cover all aspects of their securities businesses. Such regulations cover, among other things, matters including minimum net capital requirements; uses and safekeeping of clients' funds; recordkeeping and reporting requirements; supervisory and organizational procedures intended to assure compliance with securities laws and to prevent improper trading on material nonpublic information; employee-related matters, including qualification and licensing of supervisory and sales personnel; limitations on extensions of credit in securities transactions; clearance and settlement procedures; "suitability" determinations as to certain customer transactions, limitations on the amounts and types of fees and commissions that may be charged to customers, and the timing of proprietary trading in relation to customers' trades; affiliate transactions; and mutual fund management. The principal purpose of regulation and discipline of investment firms is the protection of customers and the securities markets rather than the protection of creditors and stockholders of investment firms.

### **MONETARY POLICY AND ECONOMIC CONDITIONS**

The earnings of banks and bank holding companies are affected by general economic conditions and also by the fiscal and monetary policies of federal regulatory agencies, including the Federal Reserve. Through open market transactions, variations in the discount rate and the establishment of reserve requirements, the Federal Reserve exerts considerable influence over the cost and availability of funds obtainable for lending or investing.

The above monetary and fiscal policies and resulting changes in interest rates have affected the operating results of all commercial banks in the past and are expected to do so in the future. The Banks and their respective holding company cannot fully predict the nature or the extent of any effects which fiscal or monetary policies may have on their business and earnings.

## **SUPPLEMENTAL STATISTICAL DATA**

Pages 3, 68 and 69 of the 2002 Annual Report to Shareholders and Item 8 of this Form 10-K contain supplemental statistical data as required by The Exchange Act Industry Guide 3 which is part of Regulation S-K as promulgated by the SEC. This data should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, and Management's Discussion and Analysis which are contained in its 2002 Annual Report to Shareholders filed herewith as Exhibit 13.1 and incorporated herein by reference.

## ITEM 2. PROPERTIES

The Company's executive offices are located in the main bank facility of Lake Forest Bank. The Company also leases additional office space for its corporate staff directly across the street from Lake Forest Bank's main facility.

Lake Forest Bank operates from seven physical banking locations. Lake Forest Bank's main bank facility is located at 727 N. Bank Lane, Lake Forest, Illinois, and is a three story, 37,000 square foot brick building that includes a 15,200 square foot addition that was completed in May 1999. The Company's executive offices and staff of the holding company, Lake Forest Bank and WHTC are located on the second and third floors of the addition with first floor retail space leased to unrelated third parties. Lake Forest Bank constructed a drive-through, walk-up banking facility on land leased from the City of Lake Forest on the corner of Bank Lane and Wisconsin Avenue in Lake Forest, approximately one block north of the main banking facility. Lake Forest Bank also leases a 1,200 square foot full service banking facility at 103 East Scranton Avenue in Lake Bluff, Illinois; a 4,500 square foot full service banking facility on the west side of Lake Forest at 810 South Waukegan Road; and a drive-in and walk-up banking facility at 911 S. Telegraph Road in the West Lake Forest Train Station. In 2000, Lake Forest Bank constructed a new branch facility in Highwood, Illinois that includes a drive-through facility. During 2001, Lake Forest Bank closed a small office facility at a retirement community known as Lake Forest Place. During 2002, Lake Forest Bank opened a new branch in Highland Park in a leased facility. Plans are underway for construction of a permanent facility in Highland Park. ATMs are located at each of Lake Forest Bank's locations except the 810 South Waukegan Road facility. Lake Forest Bank has no off-site ATMs.

At December 31, 2002, Hinsdale Bank operated five physical banking locations, all of which are owned. The main bank facility is a two story brick building located at 25 East First Street in downtown Hinsdale, Illinois. The 1,000 square foot drive-through, walk-up banking facility at 130 West Chestnut is approximately two blocks west of the main banking facility. Hinsdale Bank also has full service branches in Clarendon Hills and Western Springs. The buildings in Clarendon Hills and Western Springs are partially used for bank purposes, with the remainder being leased to unrelated parties. During 2001, Hinsdale Bank purchased property at 17 E. Burlington, in Riverside, Illinois, and in January 2002, opened a banking office at this location. Hinsdale Bank maintains one ATM machine at each location, with the exception of Clarendon Hills, which has two. In addition, Hinsdale has a separate, stand-alone, ATM drive-through facility in Clarendon Hills. Other than this stand-alone ATM drive-through facility in Clarendon Hills, Hinsdale Bank has no off-site ATMs.

North Shore Bank currently operates seven physical banking locations. North Shore Bank owns the main bank facility, a one-story brick building that is located at 1145 Wilmette Avenue in downtown Wilmette, Illinois. North Shore Bank also owns a 9,600 square foot drive-through, walk-up banking facility at 720 12th Street, approximately one block west of the main banking facility. North Shore Bank also leases a full service banking facility at 362 Park Avenue in Glencoe, Illinois. In 1998, North Shore Bank opened a drive-up and ATM for the Glencoe branch and a small facility at 4th Street and Linden in Wilmette. In 1999, a full service leased facility was opened at 5049 Oakton Street in Skokie, Illinois, and in 2001, North Shore Bank purchased the Skokie building. In 2001, North Shore Bank relocated its Winnetka branch to a one-story fully-

renovated owned-facility located at 576 Lincoln Avenue in Winnetka. North Shore Bank maintains ATMs at each of its locations, and has one off-site ATMs located in Glencoe.

Libertyville Bank currently operates from five physical banking locations. Libertyville Bank owns the main bank facility, which is a 13,000 square foot two story brick building located at 507 North Milwaukee Avenue in downtown Libertyville, Illinois. Libertyville Bank also owns a 2,500 square foot drive-through, walk-up banking facility at 201 East Hurlburt Court, which is approximately five blocks southeast of the main banking facility. A leased branch facility located at 1167 South Milwaukee Avenue in south Libertyville was opened in October 1998. In 2000, Libertyville Bank opened two facilities in Wauconda -- a full service branch located at 495 Liberty Street and a leased drive-through facility at 1180 Dato Lane. During 2002, construction was completed on a new permanent facility at 495 Liberty Street, the same location of the temporary site. Libertyville Bank maintains ATMs at each of its banking locations and at one off-site location.

Barrington Bank currently has two physical banking locations, both of which are owned. Its main office is located at 201 South Hough Street in Barrington, Illinois and is a 12,700 square foot, two-story frame construction building that has an attached drive-through facility. In 2001, Barrington Bank constructed a one-story building with a basement and attached drive-through lanes, at 1375 Palatine Road, in Hoffman Estates, Illinois, for its new Hoffman Estates branch. Barrington Bank. It has four ATMs, two at its main office in Barrington and two at its Hoffman Estates branch. Barrington Bank leases approximately 5,000 square feet of space at 202 Cook Street in Barrington to house its mortgage department and the staff supporting the Community Advantage program.

Crystal Lake Bank has five physical banking locations. Crystal Lake Bank's main banking office is a two-story, 12,000 square foot facility located at 70 Williams Street in downtown Crystal Lake, Illinois. Crystal Lake Bank also has a drive-through facility that is located in the downtown area, near the main bank facility and a full service owned-facility located at 1000 McHenry Avenue in south Crystal Lake. In early 2001, Crystal Lake Bank opened a branch office in a leased facility in McHenry, Illinois, and in 2002, relocated this branch office to a newly constructed building. In early 2003, Crystal Lake Bank opened its fifth banking location, in Cary, Illinois. Crystal Lake Bank maintains an ATM at each location.

In November 2000, Northbrook Bank opened for business in a temporary leased facility located at 1340 Shermer Road in Northbrook, Illinois. In December 2001, Northbrook Bank moved into its newly constructed permanent facility, located at the corner of Shermer and Waukegan Roads, in Northbrook, Illinois. Northbrook Bank has two ATMs located at its banking office, including one drive-through ATM, and no off-site ATMs.

FIFC's offices are located at 450 Skokie Boulevard, Suite 1000, Northbrook, Illinois. The building provides approximately 16,000 square feet of office space, which is used solely by FIFC.

WHTC's executive and operations staff is based in office space leased from Lake Forest Bank. WHTC also leases office space for its trust professionals at Lake Forest Bank, Hinsdale Bank, North Shore Bank, Barrington Bank and Northbrook Bank.

Tricom relocated its offices in 2002 to a newly renovated owned-facility located at 16866 W. Lisbon Road, Menomonee Falls, Wisconsin.

Wintrust Information Technology Services, a wholly-owned subsidiary of the Company, owns a two-story office building located at 851 N. Villa Avenue, in Villa Park, Illinois. The imaging services and Internet banking support for the Banks as well as the Company's technology staff are housed at this location.

The Wayne Hummer Companies lease office space in downtown Chicago, Illinois at 300 South Wacker Drive and in Appleton, Wisconsin at 200 E. Washington Street and established branch locations in offices at Lake Forest Bank and Hinsdale Bank.

Lake Forest Capital Management leases office space in Lake Forest, Illinois. The lease expires in 2003, and there are no plans to renew it. The staff and operations of Lake Forest Capital Management will move to the locations of the Wayne Hummer Companies.

See Note 9 to the Consolidated Financial Statements contained in the 2002 Annual Report to Shareholders filed herewith as Exhibit 13.1 and incorporated herein by reference.

### **ITEM 3. LEGAL PROCEEDINGS**

The Company and its subsidiaries, from time to time, are subject to pending and threatened legal action and proceedings arising in the ordinary course of business. Any such litigation currently pending against the Company or its subsidiaries is incidental to the Company's business and, based on information currently available to management, management believes the outcome of such actions or proceedings will not have a material adverse effect on the operations or financial position of the Company.

### **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters were submitted to a vote of security holders during the fourth quarter of 2002.

**PART II.**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The Company's common stock is traded on The Nasdaq Stock Market(R) under the symbol WTFC. The following table sets forth the high and low sales prices reported on Nasdaq for the common stock during 2002 and 2001.

	2002		2001	
	High	Low	High	Low
Fourth quarter	\$ 32.66	25.45	22.13	17.93
Third quarter	36.00	26.54	21.41	16.27
Second quarter	34.58	22.22	17.62	11.67
First quarter	22.99	18.33	12.75	10.54

The prices reflected above have been adjusted to reflect the 3-for-2 stock split (effected in the form of a 50% common stock dividend) announced in January 2002 and paid on March 14, 2002 to shareholders of record on March 4, 2002.

**APPROXIMATE NUMBER OF EQUITY SECURITY HOLDERS**

As of March 19, 2003 there were approximately 1,231 shareholders of record of the Company's common stock.

**DIVIDENDS ON COMMON STOCK**

In January 2000, the Company's Board of Directors approved the first semi-annual cash dividend on its common stock and has continued to approve a semi-annual dividend since that time. Additionally, as previously noted, in January 2002, the Company's Board of Directors approved a 3-for-2 stock split, effected in the form of a 50% common stock dividend, paid on March 14, 2002 to shareholders of record on March 4, 2002.

Following is a summary of the cash dividends approved in 2001 and 2002, adjusted to give effect to the stock split:

Record Date	Payable Date	Dividend per Share
February 8, 2001	February 22, 2001	\$0.0467
August 9, 2001	August 23, 2001	\$0.0467
February 5, 2002	February 19, 2002	\$0.0600
August 6, 2002	August 20, 2002	\$0.0600

In January 2003, the Company's Board of Directors approved a 33% increase in its semi-annual dividend to \$0.08 per share. The dividend was paid on February 20, 2003 to shareholders of record as of February 6, 2003.

The final determination of timing, amount and payment of dividends is at the discretion of the Company's Board of Directors and will depend upon the Company's earnings, financial condition, capital requirements and other relevant factors. Additionally, the payment of dividends is also subject to statutory restrictions and restrictions arising under the terms of the Company's Trust Preferred Securities offerings and under certain financial covenants in the Company's revolving line of credit.

Because the Company's consolidated net income consists largely of net income of the Banks, FIFC, Tricom, WHTC and the Wayne Hummer Companies, the Company's ability to pay dividends depends upon its receipt of dividends from these entities. The Banks' ability to pay dividends is regulated by banking statutes. See "Financial Institution Regulation Generally - Dividends" on page 12 of this Form 10-K. During 2002 the Banks paid no dividends to the Company. In 2001 and 2000, the Banks paid \$13.5 million and \$16.0 million, respectively, in dividends to the Company. De novo banks are prohibited from paying dividends during their first three years of operations. As of January 1, 2003, Northbrook Bank, which began operations in November 2000, is the only bank currently subject to this additional dividend restriction. Its de novo period will end in November 2003.

Reference is made to Note 19 to the Consolidated Financial Statements contained in the 2002 Annual Report to Shareholders, attached hereto as Exhibit 13.1, which is incorporated herein by reference, for a description of the restrictions on the ability of certain subsidiaries to transfer funds to the Company in the form of dividends.

#### **RECENT SALES OF UNREGISTERED SECURITIES**

The Company had no sales of unregistered securities during the fourth quarter of 2002.

**ITEM 6. SELECTED FINANCIAL DATA**

Certain information required in response to this item is contained in the 2002 Annual Report to Shareholders under the caption "Selected Financial Highlights" and is incorporated herein by reference.

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The information required in response to this item is contained in the 2002 Annual Report to Shareholders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations", which is incorporated herein by reference. This discussion and analysis of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and notes thereto contained in the 2002 Annual Report to Shareholders.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS**

Certain information required in response to this item is contained in the 2002 Annual Report to Shareholders under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset-Liability Management," which is incorporated herein by reference. That information should be read in conjunction with the complete Consolidated Financial Statements and notes thereto also included in the 2002 Annual Report to Shareholders.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required in response to this item is contained in the 2002 Annual Report to Shareholders under the caption "Consolidated Financial Statements," and is incorporated herein by reference. Also, refer to Item 15 of this Report for the Index to Financial Statements.

### SUPPLEMENTAL STATISTICAL DATA

#### INVESTMENT SECURITIES PORTFOLIO

The following table presents the carrying value of the Company's available-for-sale securities portfolio, by investment category, as of December 31, 2002, 2001 and 2000 (in thousands):

	2002	2001	2000
Available-for-sale:			
U.S. Treasury obligations	\$ 34,022	3,048	29,987
Federal agency obligations	140,752	152,185	61,871
Municipal securities	6,467	6,686	5,142
Corporate notes and other	75,193	25,895	29,197
Mortgage-backed securities	270,962	181,425	54,274
Equity securities	20,283	16,111	12,634
Total available-for-sale securities	\$ 547,679	385,350	193,105

Tables presenting the carrying amounts and gross unrealized gains and losses for securities available-for-sale at December 31, 2002 and 2001 are included by reference to Note 3 to the Consolidated Financial Statements included in the 2002 Annual Report to Shareholders, which is incorporated herein by reference. At December 31, 2002 and 2001, there were no held-to-maturity securities. Maturities of securities as of December 31, 2002, by maturity distribution, are as follows (in thousands):

	Within 1 Year	From 1 to 5 Years	From 5 to 10 Years	After 10 years	Mortgage- backed securities	Equity securities	Total
U.S. Treasury obligations	\$ 2,256	304	31,462	--	--	--	34,022
Federal agency obligations	49,730	40,602	50,420	--	--	--	140,752
Municipal securities	2,944	710	2,813	--	--	--	6,467
Corporate notes and other	32,254	14,648	--	28,291	--	--	75,193
Mortgage-backed securities(1)	--	--	--	--	270,962	--	270,962
Equity securities (2)	--	--	--	--	--	20,283	20,283
Total	\$ 87,184	56,264	84,695	28,291	270,962	20,283	547,679

(1) The maturities of mortgage-backed securities may differ from contractual maturities since the underlying mortgages may be called or prepaid without any penalties. Therefore, these securities are not included within the maturity categories above.

(2) Includes stock of the Federal Reserve Bank, the Federal Home Loan Bank and other equity securities.

The weighted average yield for each range of maturities of securities, on a tax-equivalent basis, is shown below as of December 31, 2002:

	Within 1 Year	From 1 to 5 Years	From 5 to 10 Years	After 10 years	Mortgage- backed securities	Equity securities	Total
U.S. Treasury obligations	2.02%	2.25%	3.71%	--	--	--	3.59%
Federal agency obligations	2.69%	2.25%	2.31%	--	--	--	2.43%
Municipal securities	3.71%	3.40%	7.75%	--	--	--	5.38%
Corporate notes and other	2.54%	3.61%	--	5.56%	--	--	3.89%
Mortgage-backed securities (1)	--	--	--	--	5.24%	--	5.24%
Equity securities (2)	--	--	--	--	--	5.42%	5.42%
<b>Total</b>	<b>2.65%</b>	<b>2.62%</b>	<b>3.00%</b>	<b>5.56%</b>	<b>5.24%</b>	<b>5.42%</b>	<b>4.24%</b>

(1) The maturities of mortgage-backed securities may differ from contractual maturities since the underlying mortgages may be called or prepaid without any penalties. Therefore, these securities are not included within the maturity categories above.

(2) Includes stock of the Federal Reserve Bank, the Federal Home Loan Bank and other equity securities.

### LOAN PORTFOLIO

The following table shows the Company's loan portfolio by category as of December 31 for each of the five previous fiscal years (in thousands):

	2002		2001		2000		1999		1998	
	AMOUNT	% OF TOTAL	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial and commercial real estate	\$1,320,598	52%	1,007,580	50	647,947	42	485,776	38	366,229	38
Home equity	365,521	14	261,049	13	179,168	12	139,194	11	111,537	11
Residential real estate	156,213	6	140,041	7	131,495	9	102,903	8	73,494	7
Premium finance receivables	461,614	18	348,163	17	313,066	20	219,341	17	178,138	18
Indirect auto loans	178,234	7	184,209	9	203,571	13	255,410	20	209,983	22
Tricom finance receivables	21,048	1	18,280	1	20,354	1	17,577	1	-	-
Consumer and other loans	52,858	2	59,157	3	51,995	3	49,925	4	34,650	4
<b>Total loans, net of unearned income</b>	<b>\$2,556,086</b>	<b>100%</b>	<b>2,018,479</b>	<b>100</b>	<b>1,547,596</b>	<b>100</b>	<b>1,270,126</b>	<b>100</b>	<b>974,031</b>	<b>100</b>

Commercial and commercial real estate loans. The commercial loan component is comprised primarily of commercial real estate loans, lines of credit for working capital purposes, and term loans for the acquisition of equipment. This category also includes certain commercial equipment leases. Commercial real estate is predominantly owner occupied and secured by a first mortgage lien and assignment of rents on the property. Equipment loans and leases are generally fully amortized over 24 to 60 months and secured by titles and/or U.C.C. filings. Working capital lines are generally renewable annually and supported by business assets, personal guarantees and,

oftentimes, additional collateral. Also included in this category are loans to condominium and homeowner associations originated through Barrington Bank's Community Advantage program and small aircraft financing, a new earning asset niche developed at Crystal Lake Bank. Commercial business lending is generally considered to involve a higher degree of risk than traditional consumer bank lending. The vast majority of commercial loans are made within the Banks' immediate market areas. The increase in this loan category can be attributed to additional banking facilities, an emphasis on business development calling programs and superior servicing of existing commercial loan customers which has increased referrals.

In addition to the home mortgages originated by the Banks, the Company participates in mortgage warehouse lending by providing interim funding to unaffiliated mortgage brokers to finance residential mortgages originated by such brokers for sale into the secondary market. The Company's loans to the mortgage brokers are secured by the business assets of the mortgage companies as well as the underlying mortgages, the majority of which are funded by the Company on a loan-by-loan basis after they have been pre-approved for purchase by third party end lenders who forward payment directly to the Company upon their acceptance of final loan documentation. In addition, the Company may also provide interim financing for packages of mortgage loans on a bulk basis in circumstances where the mortgage brokers desire to competitively bid a number of mortgages for sale as a package in the secondary market. Typically, the Company will serve as sole funding source for its mortgage warehouse lending customers under short-term revolving credit agreements. Amounts advanced with respect to any particular mortgages are usually required to be repaid within 15 days. The Company has developed strong relationships with a number of mortgage brokers and is seeking to expand its customer base for this specialty business.

The following table classifies the commercial loan portfolio category at December 31, 2002 by date at which the loans mature (in thousands):

	One year or less	From one to five years	After five years	Total
Commercial loans and commercial real estate loans.....	\$ 620,020	608,608	91,970	1,320,598
Premium finance receivables, net of unearned income.....	461,614	--	--	461,614
Tricom finance receivables.....	21,048	--	--	21,048

Of those loans maturing after one year, approximately \$237.1 million have fixed rates.

Home equity loans. The Company's home equity loan products are generally structured as lines of credit secured by first or second position mortgage liens on the underlying property with loan-to-value ratios not exceeding 80%, including prior liens, if any. The Banks' home equity loans feature competitive rate structures and fee arrangements. In addition, the Banks periodically offer promotional home equity loan products as part of their marketing strategy often featuring lower introductory rates.

Indirect auto loans. As part of its strategy to pursue specialized earning asset niches to augment loan generation within the Banks' target markets, the Company finances fixed rate automobile loans funded indirectly through unaffiliated automobile dealers. As of December 31, 2002, indirect auto

loans comprised approximately 77% of the Company's consumer loans. In response to economic conditions and the competitive environment for this product, the Company has been reducing the level of new indirect auto 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. Indirect automobile loans are secured by new and used automobiles and are generated by a large network of automobile dealers located in the Chicago area with which the Company has established relationships. These credits generally have an average initial balance of approximately \$16,600 and have an original maturity of 36 to 60 months with the average actual maturity, as a result of prepayments, estimated to be approximately 35-40 months. The Company does not currently originate any significant level of sub-prime loans, which are made to individuals with impaired credit histories at generally higher interest rates, and accordingly, with higher levels of credit risk. The risk associated with this portfolio is diversified among many individual borrowers. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans. Like other consumer loans, the indirect auto loans are subject to the Banks' stringent credit standards.

Residential real estate mortgages. The residential real estate category predominantly includes one-to-four family adjustable rate mortgages that have repricing terms generally from one to three years, construction loans to individuals and bridge financing loans for qualifying customers. The adjustable rate mortgages are often non-agency conforming, may have terms based on differing indexes, and relate to properties located principally in the Chicago metropolitan area or vacation homes owned by local residents. Adjustable-rate mortgage loans decrease, but do not eliminate, the risks associated with changes in interest rates. Because periodic and lifetime caps limit the interest rate adjustments, the value of adjustable-rate mortgage loans fluctuates inversely with changes in interest rates. In addition, as interest rates increase, the required payments by the borrower increases, thus increasing the potential for default. The Company does not generally originate loans for its own portfolio with long-term fixed rates due to interest rate risk considerations. However, the Banks do accommodate customer requests for fixed rate loans by originating and selling these loans into the secondary market, in connection with which the Company receives fee income, or by selectively including certain of these loans within the Banks' own portfolios. A portion of the loans sold by the Banks into the secondary market are sold to the Federal National Mortgage Association ("FNMA") with the servicing of those loans retained. The amount of loans serviced for FNMA as of December 31, 2002 and 2001 was \$239.2 million and \$131.5 million, respectively. All other mortgage loans held for sale are sold into the secondary market without the retention of servicing rights.

Premium finance receivables. The Company originates premium finance receivables through FIFC. Most of the receivables originated by FIFC are sold to the Banks and retained within their loan portfolios. However, due to FIFC's loan origination volume exceeding the capacity within the Banks' loan portfolios, FIFC began selling loans to an unrelated third party in 1999. During 2002, FIFC originated approximately \$1.7 billion of loans and sold approximately \$311 million of those loans originated in 2002 to an unrelated financial institution. FIFC recognized gains of \$3.4 million on the sale of those loans. As of December 31, 2002 and 2001, the balance of these receivables that FIFC services for others totaled approximately \$141.1 million and \$107.8 million, respectively. All premium finance receivables 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.

FIFC generally offers financing of approximately 80% of an insurance premium primarily to commercial purchasers of property and casualty and liability insurance who desire to pay insurance premiums on an installment basis. FIFC markets its financial services primarily by establishing and maintaining relationships with medium and large insurance agents and brokers and by offering a high degree of service and innovative products. Senior management is significantly involved in FIFC's marketing efforts, currently focused almost exclusively on commercial accounts. Loans are originated by FIFC's own sales force by working with insurance agents and brokers throughout the United States. As of December 31, 2002, FIFC had the necessary licensing and other regulatory approvals to do business in all 50 states and the District of Columbia.

In financing insurance premiums, the Company does not assume the risk of loss normally borne by insurance carriers. Typically, the insured buys an insurance policy from an independent insurance agent or broker who offers financing through FIFC. The insured typically makes a down payment of approximately 15% to 25% of the total premium and signs a premium finance agreement for the balance due, which amount FIFC disburses directly to the insurance carrier or its agents to satisfy the unpaid premium amount. The average initial balance of premium finance loans is approximately \$30,000 and the average term of the agreements is approximately 10 months. As the insurer earns the premium ratably over the life of the policy, the unearned portion of the premium secures payment of the balance due to FIFC by the insured. Under the terms of the Company's standard form of financing contract, the Company has the power to cancel the insurance policy if there is a default in the payment on the finance contract and to collect the unearned portion of the premium from the insurance carrier. In the event of cancellation of a policy, the cash returned in payment of the unearned premium by the insurer should be sufficient to cover the loan balance and generally the interest and other charges due as well. The major risks inherent in this type of lending are (1) the risk of fraud on the part of an insurance agent whereby the agent fraudulently fails to forward funds to the insurance carrier or to FIFC, as the case may be; (2) the risk that the insurance carrier becomes insolvent and is unable to return unearned premiums related to loans in default; (3) for policies that are subject to an audit by the insurance carrier (i.e. workers compensation policies where the insurance carrier can audit the insured actual payroll records), the risk that the initial underwriting of the policy was such that the premium paid by the insured are not sufficient to cover the a entire return premium in the event of default; and (4) that the borrower is unable to ultimately satisfy the debt in the event the returned unearned premium is insufficient to retire the loan. FIFC has established underwriting procedures to reduce the potential of loss associated with the aforementioned risks and has systems in place to continually monitor conditions that would indicate an increase in risk factors and to act on situations where the Company's collateral position is in jeopardy.

Tricom finance receivables. Tricom finance receivables represent high-yielding short-term accounts receivable financing to clients in the temporary staffing industry located throughout the United States. The clients' working capital needs arise primarily from the timing differences between weekly payroll funding and monthly collections from customers. The primary security for Tricom's finance receivables are the accounts receivable of its clients and personal guarantees. Tricom generally advances 80-95% based on various factors including the client's financial condition, the length of client relationship and the nature of the client's customer business lines. Typically, Tricom will also provide value-added out-sourced administrative services to many of these clients, such as data processing of payrolls, billing and cash management services, which generates additional fee income.

Consumer and Other. Included in the consumer and other loan category is a wide variety of personal and consumer loans to individuals. The Banks have been originating consumer loans in recent years in order to provide a wider range of financial services to their customers. Consumer loans generally have shorter terms and higher interest rates than mortgage loans but generally involve more credit risk than mortgage loans due to the type and nature of the collateral.

The Company had no loans to businesses or governments of foreign countries at any time during the reporting periods.

## RISK ELEMENTS IN THE LOAN PORTFOLIO

The following table sets forth the allocation of the allowance for loan losses by major loan type and the percentage of loans in each category to total loans (dollars in thousands):

	2002		2001		2000		1999		1998	
	AMOUNT	PERCENT	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial and										
Commercial Real Estate	\$ 6,921	52%	6,251	50	4,019	42	3,435	38	2,480	38
Home equity	559	14	1,353	13	992	12	1,146	11	1,046	11
Residential real estate	197	6	137	7	141	9	126	8	81	7
Premium finance	3,565	18	1,391	17	1,209	20	721	17	919	18
receivables										
Indirect auto loans	941	7	1,442	9	1,552	13	1,947	20	1,205	22
Tricom finance	120	1	112	1	120	1	120	2	-	-
receivables										
Consumer and other	362	2	835	3	473	3	469	4	494	4
Unallocated	5,725	-	2,165	-	1,927	-	819	-	809	-
Totals	\$ 18,390	100%	13,686	100	10,433	100	8,783	100	7,034	100

Management determines the amount of allowance that is required for specific loan categories based on relative risk characteristics of the loan portfolio. The allocation methodology applied by the Company, designed to assess the adequacy of the allowance for loan losses, focuses on changes in the size and characteristics of the each loan portfolio component, changes in levels of impaired and other non-performing loans, the risk inherent in specific loan portfolio components, concentrations of loans to specific borrowers or industries, existing economic conditions, and historical losses on each loan portfolio component. Each of the criteria used is subject to change, as a result the allocation of the allowance for loan losses is made for analytical purposes and is not necessarily indicative of the trend of future loan losses in any particular loan category. The total allowance is available to absorb losses from any segment of the portfolio. Management continues to target and maintain the allowance for loan losses equal to the allocation methodology plus an unallocated portion, as determined by economic conditions and other qualitative and quantitative factors affecting the Company's borrowers. Management determined that the allowance for loan losses was adequate at December 31, 2002.

The Company's loan rating process is an integral component of the methodology utilized in determining the allowance for loan losses. The Company utilizes a loan rating system to assign risk to loans and utilizes that risk rating system to assist in developing an internal problem loan identification system ("Watch List") as a means of reporting non-performing and potential problem loans. At each scheduled meeting of the Boards of Directors of the Banks and the Wintrust Risk Management Committee, a Watch List is presented, showing all loans that are

non-performing and loans that may warrant additional monitoring. Accordingly, 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 Watch List, which exhibit a higher than normal credit risk. These Watch List credits are reviewed individually by management to determine whether any specific reserve amount should be allocated for each respective credit. However, these loans are still performing and, accordingly, are not included in non-performing loans. Management's philosophy is to be proactive and conservative in assigning risk ratings to loans and identifying loans to be included on the Watch List.

An analysis of commercial and commercial real estate loans actual loss experience is conducted to assess reserves established for credits with similar risk characteristics. An allowance is established for loans on the Watch List and for pools of loans based on the loan types and the risk ratings assigned. The Company separately analyzes the carrying value of impaired loans to determine whether the carrying value is less than or equal to the appraised collateral value less costs to sell, or the present value of expected future cash flows. Commercial and commercial real estate loans continue to represent a larger percentage of the Company's total loans outstanding. The credit risk of commercial and commercial real estate loans is largely influenced by the impact on borrowers of general economic conditions, which have been challenging, uncertain and deteriorating. Historically low net charge-offs of commercial and commercial real-estate loans may not be indicative of future charge-off levels. The allowance established for commercial and commercial real estate loans, including impaired loans, was \$6.9 million at December 31, 2002 compared with \$6.3 million at December 31, 2001 and \$4.0 million at December 31, 2000. The increase in the allowance for commercial and commercial real estate loans reflects the 31% growth in 2002 compared to 2001 and 56% growth in 2001 compared to 2000 of commercial and commercial real estate loans.

The home equity, residential real estate and other loan allocations are based on analysis of historical delinquency and charge off statistics and trends. The allowance established for home equity, residential real estate and other loans was \$756,000 at December 31, 2002 compared with \$1.5 million at December 31, 2001 and \$1.1 million at December 31, 2000. The decrease in the allowance for home equity and residential real estate loans reflects lower level of non-performing home equity, residential real estate and other loans in 2002 compared to 2001. The increase in allowance established for home equity, residential real estate and other loans in 2001 compared to 2000 was due to higher levels of non-performing credits during 2001.

Specialized earning asset niche loans such as premium finance receivables, indirect auto and Tricom finance receivables allocations are based on an analysis of historical delinquency and charge off statistics and historical growth trends. The allowance established for premium finance loans was \$3.6 million at December 31, 2002 compared with \$1.4 million at December 31, 2001 and \$1.2 million at December 31, 2000. The increase in the allowance for premium finance loans at December 31, 2002 reflected an increase of approximately \$500,000 related to the 33% growth in premium finance receivables outstanding and approximately \$2.1 million related to a change in the risk rating to reflect the historical loss experience. The slight increase in the allowance established for premium finance receivables at December 31, 2001 compared to December 31, 2000 reflects the 11% growth in balances outstanding in 2001.

The allowance established for indirect auto loans was \$941,000 at December 31, 2002 compared with \$1.4 million at December 31, 2001 and \$1.6 million at December 31, 2000. The decrease in the allowance for indirect auto loans at December 31, 2002 reflects the lower risk ratings assigned to these loans to reflect management's decision to de-emphasize relative growth of this portfolio and the declining credit loss ratios. Regardless of the extent of the Company's analysis of customer performance, loan portfolio trends, the risk assessment processes and volatility of economic conditions, certain inherent but undetected losses are probable within the loan portfolios. This is due to several factors, including inherent delays in obtaining information regarding a customer's financial condition or changes in their unique business conditions, the judgmental nature of individual loan evaluations, collateral assessments and the interpretation of economic trends. Because of the imprecision surrounding these factors, primarily the uncertainty related to the economic outlook, the Company estimates a range of inherent losses and maintains an "unallocated" allowance that is not allocated to a specific loan category. The amount of unallocated allowance was \$5.7 million at December 31, 2002 compared with \$2.2 million at December 31, 2001 and \$1.9 million at December 31, 2000.

For analysis and review of the loan loss provision and allowance for loan losses; non-accrual, past due and restructured loans; other real estate owned; potential problem loans; and loan concentrations, reference is made to the "Credit Risk and Asset Quality" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations of the 2002 Annual Report to Shareholders filed herewith as Exhibit 13.1, and incorporated herein by reference.

**DEPOSITS**

The following table sets forth the scheduled maturities of time deposits in denominations of \$100,000 or more at December 31, 2002 (in thousands):

Maturing within 3 months.....	\$ 144,221
After 3 but within 6 months.....	150,920
After 6 but within 12 months.....	211,568
After 12 months.....	312,016
Total.....	\$ 818,725

## RETURN ON EQUITY AND ASSETS

The following table presents certain ratios relating to the Company's equity and assets as of and for the years ended December 31:

	2002	2001	2000
Return on average total assets	0.87%	0.79%	0.60%
Return of average common shareholders' equity	14.76%	15.24%	11.51%
Dividend payout ratio	7.50%	7.37%	8.00%
Average equity to average total assets	5.9%	5.2%	5.2%
Ending total risk based capital ratio	9.4%	8.5%	8.4%
Leverage ratio	7.0%	7.1%	6.3%

## SHORT-TERM BORROWINGS

The Company's short-term borrowings include federal funds purchased, overnight and term security repurchase agreements and borrowings by WHI (sometimes referred to as "Wayne Hummer Company funding"), which consist of demand obligations to third party banks and brokers for the financing of securities purchased by WHI customers on margin and securities owned by WHI. The average balances in each of these categories during 2002 were \$7.2 million of federal funds purchased, \$27.5 million of repurchase agreements and \$33.3 million of Wayne Hummer Company funding. During 2002, the Company participated in overnight and term security repurchase agreements. The overnight agreements represent sweep accounts in connection with a master repurchase agreement. In this case, securities under the Company's control are pledged for and interest is paid on the available balance of the customers' accounts. For term repurchase agreements, securities are transferred to the applicable counterparty. Securities underlying the overnight and term repurchase agreements are included in the available-for-sale securities portfolio as reflected on the Consolidated Statements of Condition. At December 31, 2002, securities sold under agreements to repurchase consisted of U.S. government agency, mortgage-backed and corporate securities.

Further information regarding Short-Term Borrowings is contained in the "Analysis of Financial Condition - Deposits and Other Funding Sources" section of the Management's Discussion and Analysis of Financial Condition and Results of Operations in the 2002 Annual Report to Shareholders filed herewith as Exhibit 13.1, and is incorporated herein by reference.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No changes were made in the Company's independent accountants during the two most recent fiscal years or any subsequent interim period.

**PART III**

**ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information required in response to this item will be contained in the Company's definitive Proxy Statement (the "Proxy Statement") for its Annual Meeting of Shareholders to be held May 22, 2003 under the captions "Nominees to Serve as Class I Directors Until the Annual Meeting of Shareholders in Year 2006", "Class II - Continuing Directors Serving Until the Year 2004", "Class III - Continuing Directors Serving Until the Year 2005", and "Executive Officers of the Company" and is incorporated herein by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required in response to this item will be contained in the Company's Proxy Statement under the caption "Executive Compensation" and is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Information with respect to security ownership of certain beneficial owners and management is incorporated by reference to the section "Security Ownership of Certain Beneficial Owners and Management" that will be included in the Proxy Statement for the Annual Meeting of Shareholders to be held on May 22, 2003.

The following table summarizes information as of December 31, 2002, relating to equity compensation plans of the Company pursuant to which common stock is authorized for issuance:

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders:			
o WFC 1997 Stock Incentive Plan, as amended	2,928,920	\$12.98	595,913
o WFC Employee Stock Purchase Plan	N/A	N/A	300,458
o WFC Directors Deferred Fee and Stock Plan	N/A	N/A	221,315
	2,928,920	\$12.98	1,117,686
Equity compensation plans not approved by security holders			
o None			
<b>Total</b>	<b>2,928,920</b>	<b>\$12.98</b>	<b>1,117,686</b>

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required in response to this item will be contained in the Proxy Statement under the sub-caption "Transactions with Management and Others" and is incorporated herein by reference.

**ITEM 14. CONTROLS AND PROCEDURES**

Within the 90 days prior to the date of this report, the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer carried out an evaluation under their supervision, with the participation of other members of management as they deemed appropriate, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as contemplated by Exchange Act Rule 13a-15. Based upon, and as of the date of that evaluation, the Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective, in all material respects, in timely alerting them to material information relating to the Company (and its consolidated subsidiaries) required to be included in the periodic reports the Company is required to file and submit to the SEC under the Exchange Act.

There have been no significant changes to the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date that the internal controls were most recently evaluated. There were no significant deficiencies or material weaknesses identified in that evaluation and, therefore, no corrective actions were taken.

The Company's management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that our Disclosure Controls or our Internal Controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable assurance that the objectives of the control system are met. Further, the design of a control system will take into account resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, any system of controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. However, the Company's management believes its system of controls provides reasonable assurances as to the integrity of its financial records and accounts.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this Report:

1., 2. Financial Statements and Schedules

The following financial statements of Wintrust Financial Corporation, incorporated herein by reference to the 2002 Annual Report to Shareholders filed as Exhibit 13.1, are filed as part of this document pursuant to Item 8, Financial Statements and Supplementary Data:

Consolidated Statements of Condition as of December 31, 2002 and 2001 Consolidated Statements of Income for the Years Ended December 31, 2002, 2001 and 2000  
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2002, 2001 and 2000 Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2001 and 2000  
Notes to Consolidated Financial Statements Report of Independent Auditors

No schedules are required to be filed with this report.

3. Exhibits (Exhibits marked with a "\*" denote management contracts or compensatory plans or arrangements)

3.1 Amended and Restated Articles of Incorporation of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.1 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

3.2 Statement of Resolution Establishing Series of Junior Serial Preferred Stock A of Wintrust Financial Corporation (incorporated by reference to Exhibit 3.2 of the Company's Form 10-K for the year ended December 31, 1998).

3.3 Amended By-laws of Wintrust Financial Corporation (incorporated by reference to Exhibit 3(i) of the Company's Form 10-Q for the quarter ended June 30, 1998).

4.1 Rights Agreement between Wintrust Financial Corporation and Illinois Stock Transfer Company, as Rights Agent, dated July 28, 1998 (incorporated by reference to Exhibit 4.1 of the Company's Form 8-A Registration Statement (No. 000-21923) filed with the Securities and Exchange Commission on August 28, 1998).

4.2 Certain instruments defining the rights of the holders of long-term debt of the Corporation and certain of its subsidiaries, none of which authorize a total amount of indebtedness in excess of 10% of the total assets of the Corporation and its subsidiaries on a consolidated basis, have not been filed as Exhibits. The Corporation hereby agrees to furnish a copy of any of these agreements to the Commission upon request.

10.1 \$25 Million Revolving Loan Agreement between LaSalle National Bank and Wintrust Financial Corporation, dated September 1, 1996 (incorporated by reference to Exhibit 10.1 of the Company's Form S-1 Registration Statement (No. 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

10.2 First Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle National Bank, dated March 1, 1997 (incorporated by reference to Exhibit 10.29 to Registrant's Form 10-K for the year ended December 31, 1996, filed with the Securities and Exchange Commission on March 28, 1997).

10.3 Second Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle National Bank, dated March 1, 1997 (incorporated by reference to Exhibit 10.3 of the Company's Form 10-K for the year ended December 31, 1997, filed with the Securities and Exchange Commission on March 31, 1998).

10.4 Third Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle National Bank, dated September 1, 1998 (incorporated by reference to Exhibit 10 of the Company's Form 10-Q for the quarter ended September 30, 1998, filed with the Securities and Exchange Commission on November 13, 1998).

10.5 Fourth Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle Bank National Association, dated September 1, 1999 (incorporated by reference to Exhibit 10.5 of the Company's Form 10-K for the year ended December 31, 1999).

10.6 Fifth Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle Bank National Association, dated August 30, 2000 (incorporated by reference to Exhibit 10.6 of the Company's Form 10-K for the year ended December 31, 2000).

10.7 Sixth Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle Bank National Association, dated June 1, 2001 (incorporated by reference to Exhibit 99.1 of the Company's Form S-3 Registration Statement filed with the SEC on May 16, 2001).

10.8 Seventh Amendment to Loan Agreement between Wintrust Financial Corporation and LaSalle Bank National Association, dated December 31, 2001, but effective as of November 29, 2001 (incorporated by reference to Exhibit 10.8 of the Company's Form 10-K for the year ending December 31, 2001).

- 10.9 Amended and Restated Loan Agreement (\$75 million) between Wintrust Financial Corporation and LaSalle National Association, dated October 29, 2002.
- 10.10 \$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle National Association, dated October 29, 2002.

10.11 Form of Wintrust Financial Corporation Warrant Agreement (incorporated by reference to Exhibit 10.29 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645), filed with the Securities and Exchange Commission on July 22, 1996). \*

10.12 Lake Forest Bank & Trust Company Lease for drive-up facility located at the corner of Bank Lane & Wisconsin Avenue, Lake Forest, Illinois, dated December 11, 1992 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.13 Lake Forest Bank & Trust Company Lease for banking facility located at 810 South Waukegan Road, Lake Forest, Illinois (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.14 Lake Forest Bank & Trust Company Lease for banking facility located at 666 North Western Avenue, Lake Forest, Illinois, dated July 19, 1991 and Amendment (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.15 Lake Forest Bank & Trust Company Lease for banking facility located at 103 East Scranton Avenue, Lake Bluff, Illinois, dated November 1, 1994 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.16 North Shore Bank & Trust Company Lease for banking facility located at 362 Park Avenue, Glencoe, Illinois, dated July 27, 1995 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.17 North Shore Bank & Trust Company Lease for banking facility located at 794 Oak Street, Winnetka, Illinois, dated June 16, 1995 (incorporated by reference to Exhibit 10.6 to Amendment No. 1 to Registrant's Form S-4 Registration Statement (No. 333-4645) filed with the Securities and Exchange Commission on July 22, 1996).

10.18 Barrington Bank and Trust Company Lease for property located at 202A South Cook Street, Barrington, Illinois, dated December 29, 1995 (incorporated by reference to Exhibit 10.24 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

10.19 Real Estate Contract by and between Wolfhoya Investments, Inc. and Amoco Oil Company, dated March 25, 1996, and amended as of \_\_\_\_\_, 1996, relating to the purchase of property located at 201 South Hough, Barrington, Illinois (incorporated by reference to Exhibit 10.25 of the Company's Form S-1 Registration Statement (No 333-18699) filed with the Securities and Exchange Commission on December 24, 1996).

10.20 Lake Forest Bank & Trust Company Lease for drive-up and walk-up facility located at 911 South Telegraph Road, Lake Forest, Illinois, dated November 7, 1996 (incorporated by reference to Exhibit 10.28 to Amendment No. 1 of the Company's Form S-1 Registration Statement (No. 333-18699) filed with the Securities and Exchange Commission on January 24, 1997).

10.21 Form of Employment Agreement (entered into between the Company and Edward J. Wehmer, President and Chief Executive Officer). The Company entered into Employment Agreements with David A. Dykstra, Executive Vice President and Chief Financial Officer, Robert F. Key, Executive Vice President-Marketing and Lloyd M. Bowden, Executive Vice President-Technology during 1998 in substantially identical form to this exhibit (incorporated by reference to Exhibit 10.15 of the Company's Form 10-K for the year ended December 31, 1998). \*

10.22 Form of First Amendment to Employment Agreement (entered into between the Company and Edward J. Wehmer, President and Chief Executive Officer). The Company amended the Employment Agreements with David A. Dykstra, Executive Vice President and Chief Financial Officer, Robert F. Key, Executive Vice President-Marketing and Lloyd M. Bowden, Executive Vice President-Technology during 1999 in substantially identical form to this exhibit (incorporated by reference to Exhibit 10.17a of the Company's Form 10-K for the year ended December 31, 2000). \*

10.23 Term Note (\$1.2 million) and related Stock Pledge Agreement dated January 31, 2000, between Edward J. Wehmer and Dorothy M. Wehmer (as borrowers) and Wintrust Financial Corporation (as lender), (incorporated by reference to Exhibit 10.17a of the Company's Form 10-K for the year ended December 31, 2000). \*

10.24 Second Amendment to Employment Agreement by and between Wintrust Financial Corporation and Edward J. Wehmer, dated January 31, 2000, (incorporated by reference to Exhibit 10.19 of the Company's Form 10-K for the year ended December 31, 2000). \*

10.25 Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Appendix A of the Proxy Statement relating to the May 22, 1997 Annual Meeting of Shareholders of the Company). \*

10.26 First Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended June 30, 2000). \*

10.27 Second Amendment to Wintrust Financial Corporation 1997 Stock Incentive Plan adopted by the Board of Directors on January 24, 2002 (incorporated by reference to Exhibit 99 of the Proxy Statement relating to the May 23, 2002 Annual Meeting of Shareholders of the Company.) \*

10.28 Wintrust Financial Corporation Employee Stock Purchase Plan (incorporated by reference to Appendix B of the Proxy Statement relating to the May 22, 1997 Annual Meeting of Shareholders of the Company). \*

10.29 Wintrust Financial Corporation Directors Deferred Fee and Stock Plan (incorporated by reference to Appendix B of the Proxy Statement relating to the May 24, 2001 Annual Meeting of Shareholders of the Company). \*

10.30 Term Note (\$500,000) and related Stock Pledge Agreement dated January 31, 2002 by and between David A. Dykstra (as borrower) and Wintrust Financial Corporation (as lender) (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ended March 30, 2002) \*

10.31 Second Amendment to Employment Agreement by and between Wintrust Financial Corporation and David A. Dykstra, dated January 31, 2002 (incorporated by reference to Exhibit 10.2 of the Company's Form 10-Q for the quarter ended March 30, 2002). \*

12.1 Computation of Ratio of Earnings to Fixed Charges.

13.1 2002 Annual Report to Shareholders.

21.1 Subsidiaries of the Registrant.

23.1 Consent of Independent Auditors.

99 Lake Forest Bank & Trust Company, Our Story (Brochure included in 2002 Annual Report to Shareholders)

99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - signed by Edward J. Wehmer, President and Chief Executive Officer.

99.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - signed by David A. Dykstra, Senior Executive Vice President and Chief Operating Officer.

99.3 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - signed by David L. Stoehr, Executive Vice President and Chief Financial Officer.

(b) Reports on Form 8-K

Three reports on Form 8-K were filed with the Securities and Exchange Commission during the fourth quarter of 2002.

o October 25, 2002 - Form 8-K filed on October 28, 2002, to announce the promotion of David L. Stoehr to Executive Vice President and Chief Financial Officer.

o October 17, 2002 - Form 8-K filed on November 12, 2002 to report the Company's letter to shareholders issued in November 2002, related to third quarter 2002 earnings.

o December 19, 2002 - Form 8-K filed on December 20, 2002 to report the signing of an agreement to acquire Lake Forest Capital Management.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### WINTRUST FINANCIAL CORPORATION (Registrant)

EDWARD J. WEHMER	/s/ EDWARD J. WEHMER ----- President and Chief Executive Officer	March 27, 2003
DAVID A. DYKSTRA	/s/ DAVID A. DYKSTRA ----- Senior Executive Vice President and Chief Operating Officer	March 27, 2003
DAVID L. STOEHR	/s/ DAVID L. STOEHR ----- Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

JOHN S. LILLARD	/s/ JOHN S. LILLARD ----- Chairman of the Board of Directors	March 27, 2003
EDWARD J. WEHMER	/s/ EDWARD J. WEHMER ----- President and CEO and Director	March 27, 2003
PETER D. CRIST	/s/ PETER D. CRIST ----- Director	March 27, 2003
BRUCE K. CROWTHER	/s/ BRUCE K. CROWTHER ----- Director	March 27, 2003
BERT A. GETZ, JR.	/s/ BERT A. GETZ, JR. ----- Director	March 27, 2003
PHILIP W. HUMMER	/s/ PHILIP W. HUMMER ----- Director	March 27, 2003

JAMES B. MCCARTHY	/s/ JAMES B. MCCARTHY ----- Director	March 27, 2003
MARGUERITE SAVARD MCKENNA	/s/ MARGUERITE SAVARD MCKENNA ----- Director	March 27, 2003
ALBIN F. MOSCHNER	/s/ ALBIN F. MOSCHNER ----- Director	March 27, 2003
THOMAS J. NEIS	/s/ THOMAS J. NEIS ----- Director	March 27, 2003
HOLLIS W. RADEMACHER	/s/ HOLLIS W. RADEMACHER ----- Director	March 27, 2003
J. CHRISTOPHER REYES	/s/ J. CHRISTOPHER REYES ----- Director	March 27, 2003
JOHN J. SCHORNACK	/s/ JOHN J. SCHORNACK ----- Director	March 27, 2003
INGRID S. STAFFORD	/s/ INGRID S. STAFFORD ----- Director	March 27, 2003

**CERTIFICATION**

I, Edward J. Wehmer, President and Chief Executive Officer of Wintrust Financial Corporation, certify that:

1. I have reviewed this annual report on Form 10-K (this "Form 10-K") of Wintrust Financial Corporation;
2. Based on my knowledge, this Form 10-K does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Form 10-K;
3. Based on my knowledge, the financial statements, and other financial information included in this Form 10-K, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Form 10-K;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Form 10-K is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Form 10-K (the "Evaluation Date"); and
  - c) presented in this Form 10-K our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this Form 10-K whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

*Date: March 27, 2003*

*/s/ EDWARD J. WEHMER*

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*Name: Edward J. Wehmer*

*Title: President and Chief Executive Officer*

**CERTIFICATION**

I, David A. Dykstra, Senior Executive Vice President and Chief Operating Officer of Wintrust Financial Corporation, certify that:

1. I have reviewed this annual report on Form 10-K (this "Form 10-K") of Wintrust Financial Corporation;
2. Based on my knowledge, this Form 10-K does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Form 10-K;
3. Based on my knowledge, the financial statements, and other financial information included in this Form 10-K, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Form 10-K;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Form 10-K is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Form 10-K (the "Evaluation Date"); and
  - c) presented in this Form 10-K our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this Form 10-K whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

*Date: March 27, 2003*

*/s/ DAVID A. DYKSTRA*

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*Name: David A. Dykstra*

*Title: Senior Executive Vice President and  
Chief Operating Officer*

**CERTIFICATION**

I, David L. Stoehr, Executive Vice President and Chief Financial Officer of Wintrust Financial Corporation, certify that:

1. I have reviewed this annual report on Form 10-K (this "Form 10-K") of Wintrust Financial Corporation;
2. Based on my knowledge, this Form 10-K does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Form 10-K;
3. Based on my knowledge, the financial statements, and other financial information included in this Form 10-K, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Form 10-K;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Form 10-K is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Form 10-K (the "Evaluation Date"); and
  - c) presented in this Form 10-K our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this Form 10-K whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

*Date: March 27, 2003*

*/s/ DAVID L. STOEHR*

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*Name: David L. Stoehr  
Title: Executive Vice President and  
Chief Financial Officer*

## AMENDED AND RESTATED LOAN AGREEMENT

This AMENDED AND RESTATED LOAN AGREEMENT (the "Agreement"), dated as of October 29, 2002, is entered into between WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Borrower"), and LASALLE BANK NATIONAL ASSOCIATION, a national banking association ("LaSalle").

### RECITALS:

WHEREAS, the Borrower and LaSalle are parties to that certain Loan Agreement dated as of September 1, 1996, as thereafter amended from time to time, the Borrower has requested an increase in its line of credit, and the parties hereto agree that it would be in the best interests of the parties hereto to amend and restate its borrowing and lending arrangement into a single document;

WHEREAS, the Borrower desires to borrow from LaSalle up to the sum of SEVENTY FIVE MILLION DOLLARS (\$75,000,000) in order to refinance existing debt and to provide for Borrower's working capital needs and the Borrower desires to retain the benefit of its existing swap agreement;

WHEREAS, Borrower will continue to pledge to LaSalle and grant a security interest in favor of LaSalle with respect to the capital stock of Hinsdale Bank & Trust ("Hinsdale"), Lake Forest Bank & Trust Company ("Lake Forest"), North Shore Community Bank & Trust Company ("North Shore"),

Libertyville Bank & Trust Company ("Libertyville"), Crystal Lake Bank and Trust Company ("Crystal Lake"), Northbrook Bank and Trust Company ("Northbrook") and Barrington Bank and Trust Company ("Barrington") (Hinsdale, Lake Forest, North Shore, Libertyville, Crystal Lake, Northbrook and Barrington are referred to herein individually as a "Subsidiary" and collectively, the "Subsidiaries"; the capital stock of such Subsidiaries shall be collectively referred to herein as the "Subsidiary Stock") as set forth in the Pledge and Security Agreement of the Borrower of even date herewith (the "Pledge Agreement");

WHEREAS, the Subsidiary Stock continues to constitute 100% of the issued and outstanding capital stock of the Subsidiaries; and

WHEREAS, LaSalle is willing to make loans to the Borrower in accordance with the terms, subject to the conditions and in reliance upon the representations, warranties and covenants set forth herein and in the other documents and instruments entered into or delivered in connection with or relating to the loan contemplated in this Agreement.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

## AGREEMENT:

### 1. COMMITMENT OF LASALLE.

LaSalle agrees to extend loans (each a "Loan" and collectively the

"Loans") to the Borrower in the principal amount of TWENTY FIVE MILLION DOLLARS (\$25,000,000), evidenced by a promissory note (the "Note 1") and a loan to the Borrower in the principal amount of FIFTY MILLION DOLLARS (\$50,000,000), evidenced by a promissory note (the "Note 2") (Note 1 and Note 2 are hereafter collectively referred to as the "Notes"), each secured by the Pledge Agreement, in accordance with terms and subject to the conditions set forth in this Agreement, the Notes and the Pledge Agreement.

### 2. CONDITIONS OF BORROWING.

Notwithstanding any other provision of this Agreement, LaSalle shall not be required to extend the Loans;

- (a) if, since the date of this Agreement and up to the agreed upon date of the Loans, there has occurred, in LaSalle's sole and complete discretion, a material adverse change in the financial condition or affairs of the Borrower or any Subsidiary;
- (b) if any Default (as such term is defined below) has occurred or any event which, with the giving of notice or lapse of time, or both, would constitute such a Default;
- (c) if any litigation or governmental proceeding has been instituted or threatened against the Borrower, any Subsidiary or any of their respective officers or shareholders which, in the sole discretion of LaSalle, could materially adversely affect the financial condition or operations of the Borrower or such Subsidiary;
- (d) if all necessary or appropriate actions and proceedings shall not have been taken in connection with, or relating to the transactions contemplated hereby and all documents incident thereto shall not have been completed and tendered for delivery, in form and substance satisfactory to LaSalle, including, but not limited to, LaSalle's failure to have received evidence that: (i) the Borrower has received all necessary regulatory approvals to acquire the Subsidiary Stock; and (ii) the Borrower has provided such notices to all appropriate federal banking agencies as to satisfy the requirements of 12 U.S.C. section 1817(j) (9)(E);
- (e) if the Borrower shall not have tendered for delivery the Notes and the Pledge Agreement, together with all of the Pledged Security (as such term is defined in the Pledge Agreement) all in form and substance satisfactory to LaSalle;
- (f) if the Borrower shall not have tendered for delivery an Amended and Restated Collateral Safekeeping Agreement, all in form and substance satisfactory to LaSalle;
- (g) if the Borrower shall not have tendered for delivery a legal opinion, if requested, from the Borrower's counsel in form and substance satisfactory to LaSalle and LaSalle's legal counsel; or

(h) if LaSalle shall not have received, in form and substance satisfactory to LaSalle, all certificates, affidavits, schedules, resolutions, opinions, notes and other documents which are provided for hereunder, or which it may reasonably request.

### 3. NOTES EVIDENCING BORROWING.

The Loans shall be evidenced by Note 1 executed by the Borrower in the principal amount of TWENTY FIVE MILLION DOLLARS (\$25,000,000) and by Note 2 executed by Borrower in the principal amount of FIFTY MILLION DOLLARS (\$50,000,000), which Notes shall be in the form set forth as EXHIBIT A and EXHIBIT B hereto, respectively.

(a) Interest on amounts outstanding under the Notes shall be payable quarterly, in arrears, commencing on November 29, 2002, and continuing on each February 28, May 29, August 29 and November 29 thereafter. Interest shall be also payable at maturity, after maturity on demand, and on the date any principal payment hereon is paid.

(b) A final payment of all outstanding amounts due under Note 1, including, but not limited to principal, interest and any amounts owing under Subsection 10(m) of this Agreement, if not payable earlier, shall be due and payable on February 27, 2006.

(c) A final payment of all outstanding amounts due under Note 2, including, but not limited to principal, interest and any amounts owing under Subsection 10(m) of this Agreement, if not payable earlier, shall be due and payable on May 15, 2003.

(d) The amounts outstanding under the Notes from time to time shall bear interest calculated on the actual number of days elapsed on the basis of a 360 day year, at a rate equal, at the Borrower's option, to either (a) the London Inter-Bank offered Rate ("LIBOR") plus 140 basis points, or (b) the Prime Rate (whichever rate is so selected, the "Interest Rate").

For purposes of this Agreement, the term "Prime Rate" shall mean the floating prime rate in effect from time to time as set by LaSalle, and referred to by LaSalle as its Prime Rate. The Borrower acknowledges that the Prime Rate is not necessarily LaSalle's lowest or most favorable rate of interest at any one time. The effective date of any change in the Prime Rate shall for purposes hereof be the date the rate change is publicly announced by LaSalle.

For purposes of this Agreement, "LIBOR" shall mean the per annum rate of interest at which U.S. dollar deposits in an amount comparable to the amount of the relevant LIBOR Loan and for a period equal to the relevant "Interest Period" (hereinafter defined) are offered generally to LaSalle in the London Interbank Eurodollar market which are published by Bloomberg Financial Markets systems (or other comparable nominated vendor of the British Bankers Association LIBOR Rate) at approximately 11:30 a.m. (London time) one banking day prior to the commencement of each Interest Period, such rate to remain fixed for such Interest Period. "Interest Period" shall mean successive three month periods as selected from time to time by the Borrower by notice given to LaSalle not less than three banking days prior to the first day of each respective interest Period; provided that: (i) each such three month period occurring after such initial period shall commence on the day on which the next preceding period expires; and (ii) the final Interest Period shall be such that its expiration occurs on or before the stated maturity date hereof. The Borrower hereby further promises to pay to the order of LaSalle, on

demand, interest on the unpaid principal amount hereof after maturity (whether by acceleration or otherwise) at a rate of two per cent per annum in excess of the Prime Rate in effect at the time of maturity.

LaSalle's determination of LIBOR as provided above shall be conclusive, absent manifest error. Furthermore, if LaSalle determines, in good faith (which determination shall be conclusive, absent manifest error), prior to the commencement of any Interest Period, that (a) U.S. dollar deposits of sufficient amount and maturity for funding any LIBOR Loan are not available to LaSalle in the London Interbank Eurodollar market in the ordinary course of business, or

(b) by reason of circumstances affecting the London Interbank Eurodollar market, adequate and fair means do not exist for ascertaining the rate of interest to be applicable to the relevant LIBOR Loan, LaSalle shall promptly notify the Borrower and such LIBOR Loan shall be immediately due and payable on the last banking day of the then existing interest Period, without further demand, presentment, protest or notice of any kind, all of which are hereby waived by the Borrower.

If, after the date hereof, the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any governmental authority or any central bank or other fiscal, monetary or other authority having jurisdiction over LaSalle or its lending office (a "Regulatory Change"), shall, in the opinion of counsel to LaSalle, makes it unlawful for LaSalle to make or maintain any LIBOR Loan evidenced hereby, then LaSalle shall promptly notify the Borrower and such LIBOR Loan shall be immediately due and payable on the last banking day of the then existing Interest Period or on such earlier date as required by law, all without further demand, presentment, protest or notice of any kind, all of which are hereby waived by the Borrower.

If, for any reason, any LIBOR Loan is paid prior to the last banking day of its then-current interest Period, the Borrower agrees to indemnify LaSalle against any loss (including any loss on redeployment of the funds repaid), cost or expense incurred by LaSalle as a result of such prepayment.

If any Regulatory Change (whether or not having the force of law) shall

(a) impose, modify or deem applicable any assessment, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of or loans by, or any other acquisition of funds or disbursements by, LaSalle;

(b) subject LaSalle or any LIBOR Loan to any tax, duty, charge, stamp tax or fee or change the basis of taxation of payments to LaSalle of principal or interest due from the Borrower to LaSalle hereunder (other than a change in the taxation of the overall net income of LaSalle); or

(c) impose on LaSalle any other condition regarding such LIBOR Loan or LaSalle's funding thereof, and LaSalle shall determine (which determination shall be conclusive, absent manifest error) that the result of the foregoing is to increase the cost to LaSalle of making or maintaining such LIBOR Loan or to reduce the amount of principal or interest received by LaSalle hereunder, then the Borrower shall pay to LaSalle, on demand, such additional amounts as LaSalle shall, from time to time, determine are sufficient to compensate and indemnify LaSalle for such increased cost or reduced amount.

(e) Any amount of principal or interest on the Note which is not paid when due, whether at stated maturity, by acceleration or otherwise shall bear interest payable on demand at an interest rate equal at all times to two percent (2%) above the Prime Rate.

(f) Each Loan shall be made available to the Borrower upon its written or verbal request, from any person whose authority to so act has not been revoked by the Borrower in writing previously received by LaSalle. Such request must be received by no later than 11:00 a.m. Chicago, Illinois time, on the day it is to be funded. The proceeds of each Loan shall be made available at the office of LaSalle by credit to the account of the Borrower or by other means requested by the Borrower and acceptable to LaSalle. LaSalle is authorized to rely on the telephonic, telecopy or telegraphic loan requests which LaSalle believes in its good faith judgment to emanate from a properly authorized representative of the Borrower, whether or not that is in fact the case. The Borrower does hereby irrevocably confirm, ratify and approve all such advances by LaSalle and does hereby indemnify LaSalle against losses and expenses (including court costs, attorneys' and paralegals' fees) and shall hold LaSalle harmless with respect thereto.

(g) If any payment to be made by the Borrower hereunder shall become due on a Saturday, Sunday or bank holiday under the laws of the State of Illinois, such payment shall be made on the next succeeding business day and such extension of time shall be included in computing any interest in respect of such payment.

#### 4. PRINCIPAL PAYMENTS AND PREPAYMENTS.

(a) Borrower hereby agrees that LaSalle shall have the exclusive right, in its sole discretion to determine the application of all payments received from the Borrower. Unless LaSalle elects otherwise, LaSalle shall apply such payments in the following order; (i) expenses under the Agreement; (ii) accrued interest under Note 2; (iii) accrued interest under any subordinated notes or debentures issued by the Borrower and owned by LaSalle; (iv) accrued interest under Note 1; (v) principal amounts outstanding under Note 2; (vi) principal amounts outstanding under any subordinated note or debenture issued by Borrower and owned by LaSalle; (vii) principal amounts outstanding under Note 1; provided, however, subject to certain applicable rules, regulations or limitations which govern the repayment of subordinated indebtedness by a bank holding company subsequent to an event of default, LaSalle is authorized to apply any payments it receives in such order, combination and amount as LaSalle, in its sole and absolute discretion, may determine.

(b) Prepayments of Prime Rate Loans are permitted at any time, and shall be applied to the next succeeding principal payment due. Any prepayments of LIBOR Loans shall be subject to the terms of Section 3(d), above.

#### 5. REPRESENTATIONS AND WARRANTIES.

To induce LaSalle to make the Loan provided for herein, the Borrower represents and warrants as follows:

(a) The Borrower: (i) is a corporation duly organized and validly existing and in good standing under the laws of the State of Illinois; (ii) is duly qualified as a foreign

corporation and is in good standing in all states in which it is doing business except where the failure to so qualify would not have a material adverse effect on the Borrower or its business, and (iii) has all requisite power and authority, corporate or otherwise, to own, operate and lease its properties and to carry on its business as now being conducted. Each Subsidiary is an Illinois banking corporation or a national banking association, and has all requisite power and authority, corporate or otherwise, to own, operate and lease its property and to carry on its business as now being conducted. The Borrower and the Subsidiaries have made payment of all franchise and similar taxes in the State of Illinois and in all of the respective jurisdictions in which they are incorporated or qualified, insofar as such taxes are due and payable at the date of this Agreement, except for any such taxes the validity of which is being contested in good faith and for which proper reserves have been set aside on the books of the Borrower or such Subsidiary, as the case may be.

(b) The Borrower is the owner of 100% of the issued and outstanding capital stock of each of the Subsidiaries.

(c) The Subsidiary stock has been duly authorized, legally and validly issued, fully paid and nonassessable, and is owned by the Borrower free and clear of all pledges liens, security interests, charges or encumbrances, except, upon consummation of the transactions contemplated herein, for the security interest granted by the Borrower to LaSalle. There are, as of the date hereof, no outstanding options, rights or warrants obligating Borrower to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the capital stock of any Subsidiary or obligating Borrower to grant, extend or enter into any such agreement or commitment, except for such agreements or commitments existing as of the date of this Agreement and disclosed to LaSalle.

(d) The financial statements of:

(i) the Borrower, all of which have heretofore been furnished to LaSalle, have been prepared in accordance with generally accepted accounting principles consistently applied ("GAAP") and maintained by

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the Borrower throughout the periods involved, and fairly present the financial condition of the Borrower individually and on a consolidated basis at such dates specified therein and the results of its operations for the periods then ended; and

(ii) each Subsidiary, all of which have heretofore been furnished to LaSalle, to the best knowledge of the Borrower have been prepared in accordance with GAAP and maintained by such Subsidiary throughout the periods involved, and fairly present the financial condition of such Subsidiary at such dates specified therein and the results of its operations for the periods then entered.

(e) To the best knowledge of the Borrower, since the latest date of the financial statements referred to in Section 5(d) above, there have been no material changes in the assets, liabilities, or condition, financial or otherwise, of the Borrower or any Subsidiary other than changes arising from transactions in the ordinary course of business, and no such changes have been materially adverse, whether in the ordinary course of business or otherwise. To the best knowledge of the Borrower, neither the business nor the properties of the Borrower or any

Subsidiary have been materially and adversely affected in any way, including, without limitation, as a result of any fire, explosion, accident, strike, lockout, labor dispute, flood, drought, embargo, imposition of governmental restrictions, confiscation by a governmental agency or acts of God.

(f) There are no actions, suits, proceedings or written agreements pending, nor to the best of the knowledge of the Borrower threatened or proposed, against the Borrower or, to the best knowledge of the Borrower, any Subsidiary, at law or in equity or before or by any federal, state, municipal or other governmental department, commission, board or other administrative agency, domestic or foreign, which are of a material nature. Neither of the Borrower nor, to the best knowledge of the Borrower, any Subsidiary is in default with respect to any order, writ, injunction or decree of, or any written agreement with, any court, commission, board or agency, domestic or foreign.

(g) all tax returns and reports of the Borrower and, to the best knowledge of the Borrower, each Subsidiary, required by law to be filed have been duly filed, and all taxes, assessments, fees and other governmental charges upon the Borrower and the Subsidiaries or upon any of their properties or assets which are due and payable have been paid, and the Borrower knows of no additional assessment of a material nature against the Borrower or the Subsidiaries for taxes, or, except as disclosed on the financial statements referred to in Section 5(d) above, of any basis for any such additional assessment.

(h) The Borrower's primary business is that of a financial holding company. All necessary regulatory approvals have been obtained for the Borrower to conduct its business.

(i) The deposit accounts of the Subsidiaries are insured by the Federal Deposit Insurance Corporation ("FDIC").

(j) None of the Pledged security constitutes margin stock, as defined in Regulation U of the Board of Governors of the Federal Reserve system ("FRS").

The foregoing representations and warranties shall survive the making of this Agreement, and execution and delivery of the Notes and the Pledge Agreement, and shall be deemed to be continuing representations and warranties until such time as the Borrower has satisfied all of its obligations to LaSalle; including, but not limited to the obligation to pay in full all principal, interest and other amounts in accordance with the terms of this Agreement, the Notes and the Pledge Agreement.

## 6. NEGATIVE COVENANTS

The Borrower agrees that until the Borrower satisfies all of its obligations to LaSalle, including, but not limited to its obligations to pay in full all principal, interest and other amounts owing in accordance with the terms of this Agreement, the Notes and the Pledge Agreement, the Borrower shall not, nor shall the Borrower cause, permit or allow any Subsidiary to:

(a) create, assume, incur, have outstanding, or in any manner become liable in respect of any indebtedness for borrowed money, except in the case of Borrower, subordinated indebtedness in an amount not to exceed \$25,000,000 (issued in compliance with 12 CFR 3),

secured indebtedness under Section 6(b)(vi), and except as permitted with the express prior written consent of LaSalle and, in the case of the Subsidiaries, indebtedness incurred in the ordinary course of the business of banking and in accordance with applicable laws and regulations and safe and sound banking practices. For purposes of this Agreement, the phrase "indebtedness" shall mean and include:

- (i) all items arising from the borrowing of money, which according to generally accepted accounting principles now in effect, would be included in determining total liabilities as shown on the balance sheet;
  - (ii) all indebtedness secured by any lien in property owned by the Borrower whether or not such indebtedness shall have been assumed;
  - (iii) all guarantees and similar contingent liabilities in respect to indebtedness of others; and
  - (iv) all other interest-bearing obligations evidencing indebtedness in others;
- (b) create, assume, incur, suffer or permit to exist any mortgage, pledge, deed of trust, encumbrance (including the lien or retained security title of a conditional vendor), security interest, assignment, lien or charge of any kind or character upon or with respect to property whether owned at the date hereof or hereafter acquired by the Borrower or a Subsidiary, or assign or otherwise convey any right to receive income, except:
- (i) liens for taxes, assessments or other governmental charges for the then current year or which are not yet due or delinquent;
  - (ii) liens for taxes, assessments or other governmental charges already due, but the validity of which is being contested in good faith in such a manner as not to make the property forfeitable;
  - (iii) liens and charges incidental to current operations which are not due or delinquent;
  - (iv) liens for workmen's compensation awards not due or delinquent;
  - (v) pledges or deposits to secure obligations under workmen's compensation laws or similar legislation;
  - (vi) purchase money mortgages or other liens on real property including those incurred for the construction of a banking facility, and bank furniture and fixtures acquired or held in the ordinary course of business to secure the purchase price of such property or to secure the indebtedness incurred solely for the purpose of financing the acquisition, construction or improvement of any such property to be subject to such mortgages or other liens, or mortgages or other liens existing on any such property at the time of acquisition, or extensions, renewals, or replacements of any of the foregoing for the same or a lesser amount; provided that no such mortgage or other liens shall extend to

or cover any property other than the property being acquired, constructed or improved, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the mortgage or lien being extended, renewed or replaced, and provided further that no such mortgage or lien shall exceed 75% of the price of acquisition, construction or improvement at the time of acquisition, construction or improvement; and provided further that the aggregate principal amount of consolidated indebtedness at any one time outstanding and secured by mortgages, liens, conditional sale agreements and other security interests permitted by this clause (vi) shall not exceed 10% of the consolidated capital of the Borrower or a Subsidiary in any given calendar year, as the case may be;

(vii) liens existing on the date hereof as shown on the financial statements; and

(viii) in the case of a Subsidiary, liens incurred in the ordinary course of the business of banking and in accordance with applicable laws and regulations and safe and sound banking practices;

(c) dispose by sale, assignment, lease or otherwise property or assets now owned or hereafter acquired, outside the ordinary course of business in excess of 10% of its consolidated assets in any fiscal year;

(d) merge into or consolidate with or into any other person, firm or corporation;

(e) make any loans or advances whether secured or unsecured to any person, firm or corporation, other than loans or advances made by a Subsidiary in the ordinary course of its banking business and in accordance with applicable laws and regulations and safe and sound banking practices;

(f) engage in any business or activity not permitted by all applicable laws and regulations, including without limitation, the Bank Holding Company Act of 1954, the Illinois Banking Act, the Federal Deposit Insurance Act and any regulations promulgated thereunder;

(g) make any loan or advance secured by the capital stock of another bank or depository institution (except for loans made in the ordinary course of business), or acquire the capital stock, assets or obligations of or any interest in another bank or depository institution, without prior written approval of LaSalle;

(h) directly or indirectly create, assume, incur, suffer or permit to exist any pledge, encumbrance, security interest, assignment, lien or charge of any kind or character on any capital stock owned by the Borrower;

(i) cause or allow the percent of any Subsidiary Stock to diminish as a percentage of the outstanding capital stock of any such Subsidiary;

(j) sell, transfer, issue, reissue, exchange or grant any option with respect to the Subsidiary Stock, except pursuant to such agreements or commitments therefor existing as of the date of this Agreement and disclosed to LaSalle;

(k) redeem any of its capital stock, declare a stock dividend or split or otherwise change the capital structure of Borrower or any Subsidiary without prior written approval of LaSalle, if such redemption, dividend, split or other action would result in any change in the identity of the individuals or entities previously in control of the Borrower or any Subsidiary or grant a security interest in any ownership interest of any individual or entity, directly or indirectly controlling the Borrower or any Subsidiary, which could result in a change in the identity of the individuals or entities previously in control of the Borrower or any Subsidiary. For the purpose hereof, the terms "control" or "controlling" shall mean the possession of the power to direct, or cause the direction of, the management and policies of the Borrower or a Subsidiary, as applicable, by contract or voting of securities;

(l) breach or fail to perform or observe any of the terms and conditions of the Notes, the Pledge Agreement or any other document or agreement entered into or delivered in connection with, or relating to, the Loan,

(m) engage in any unsafe or unsound banking practices; or

(n) violate any law or regulation, or any condition imposed by of undertaking provided to the FRS, the FDIC or the Illinois Commissioner of Banks and Real Estate in connection with the Borrower's ownership of the Subsidiary Stock.

## 7. AFFIRMATIVE COVENANTS.

The Borrower agrees that until the Borrower satisfies all of its obligations to LaSalle; including, but not limited to its obligations to pay in full all principal, interest and other amounts in accordance with the terms of the Agreement, the Notes and the Pledge Agreement, it shall:

(a) furnish and deliver to LaSalle:

(i) as soon as practicable, and in no event later than forty-five (45) days after the end of each of the first three calendar quarters of the Borrower and each Subsidiary, a copy of: (1) the balance sheet, profit and loss statement, surplus statement and any supporting schedules prepared in accordance with GAAP and signed by the presidents and chief financial officers of the Borrower and the Subsidiaries; and (2) all financial statements, including, but not limited to, all call reports, filed with any state or federal bank regulatory authority;

(ii) as soon as practicable, and in no event later than one hundred twenty (120) days after the end of each calendar year, a copy of: (1) the consolidated balance sheets as of the end of such year and the consolidated profit and loss and surplus statements for the Borrower and its Subsidiaries for such year, audited by independent certified public accountants satisfactory to LaSalle and accompanied by an unqualified opinion; and (2) all financial statements and reports, including, but not limited to call reports and annual reports, filed annually with any state or federal regulatory authority;

(iii) immediately upon request by LaSalle, copies of the then current loan/asset watch list, the substandard loan/asset list, the nonperforming loan/asset list and other real estate owned list of the subsidiaries;

(iv) immediately after receiving knowledge thereof, notice in writing of all charges, assessment, actions, suits and proceedings that are proposed or initiated by, or brought before, any court or governmental department, commission, board or other administrative agency, in connection with the Borrower or any Subsidiary (other than litigation in the ordinary course of business not involving the FRS, the FDIC or the Illinois Commissioner of Banks and Real Estate, which, if adversely decided, would not have a material effect on the financial condition or operations of the Borrower or such Subsidiary); and

(v) promptly after the occurrence thereof, notice of any other matter which has resulted in a materially adverse change in the financial condition or operations of the Borrower or any Subsidiary;

(b) contemporaneously with the furnishing of a copy of each annual report and of each quarterly statement provided pursuant to Section 7(a)(i) and

(ii) above, deliver to LaSalle, a certificate signed by the President and the Treasurer of the Borrower, containing a computation of the then current financial ratios specified in Subsections 7(d) through (h) of this Agreement, and stating that no Default or unmatured Default has occurred or is continuing, or, if such event exists, describing such event and the steps, if any, that are being taken to cure it, and the time within which such cure will occur;

(c) maintain such capital as is necessary to cause the Borrower to have adequate capital in accordance with the regulations of the FRS and any requirements or conditions that the FRS has or may impose on the Borrower;

(d) maintain such capital as is necessary to cause each Subsidiary to be classified as a "adequately capitalized" institution in accordance with the regulations of the FDIC, currently measured on the basis of information filed by Borrower in its quarterly Consolidated Report of Income and Condition (the "Call Report") as follows:

(i) Total Capital to Risk-Weighted Assets of not less than 8%;

(ii) Tier 1 Capital to Risk-Weighted Assets Of not less than 4%; and

(iii) Tier 1 Capital to average Total Assets of not less than 4% (For the purposes of this subsection (d)(iii), the average Total Assets shall be determined on the basis of information contained in the preceding four (4) Call Reports);

(e) cause the Borrower, on a consolidated basis, to maintain tangible equity capital of no less than \$150,000,000. For the purposes of this Section 7

(e), "tangible equity capital" shall mean the sum of the common stock, surplus and retained earning accounts of the Borrower, reduced by the amount of any goodwill;

(f) cause the ratio of nonperforming loans to the primary capital of the Subsidiaries, on a consolidated basis, to be not more than twenty percent (20%) at all times. For purposes of this Section 7(f), "primary capital" shall mean the sum of the common stock, surplus and retained earnings accounts plus the reserve for loan and lease losses, and "nonperforming loans" shall mean the sum of all non-accrual loans and loans on which any payment is ninety (90) or more days past due;

(g) cause the ratios of the loan and lease loss reserve to the total loans of the Subsidiaries, on a consolidated basis, to be not less than one half of one percent (.50%) at all times;

(h) cause the Borrower's return on assets, determined on the basis of information filed in the Borrower's Call Report, to be at least thirty five hundredths of one percent (.35%) at all times;

(i) promptly pay and discharge all taxes, assessments and other governmental charges imposed upon the Borrower or the Subsidiaries or upon the income, profits or property of the Borrower or the Subsidiaries and all claims for labor, material or supplies which, if unpaid, may by law become a lien or charge upon the property of the Borrower or the Subsidiaries. Neither the Borrower nor the Subsidiaries shall be required to pay any such tax, assessment, charge or claim, so long as the validity thereof shall be contested in good faith by appropriate proceedings, and reserves therefor shall be maintained on the books of the Borrower or any such Subsidiary as are deemed reasonably adequate by LaSalle;

(j) maintain bonds and insurance and cause each Subsidiary to maintain bonds and insurance with responsible and reputable insurance companies or associations in such amounts and covering such risk as is usually carried by owners of similar businesses and properties in the same general area in which the Borrower or such Subsidiary respectively operate, and such additional bonds and insurance as may be reasonably required by LaSalle;

(k) permit and cause the Subsidiaries to permit LaSalle, through its employees, attorneys, accountants or other agents, to inspect any of the properties, corporate books and financial books and records of the Borrower and the Subsidiaries at such times and as often as LaSalle reasonably may request; and

(l) promptly provide and cause the Subsidiaries promptly to provide LaSalle with such other information concerning the business, operations, financial condition and regulatory status of the Borrower and the Subsidiaries as LaSalle may from time to time reasonably request.

## 8. COLLATERAL.

Pursuant to the Pledge Agreement, the Borrower has herewith assigned, transferred, pledged and delivered to LaSalle as collateral for all of the Borrower's obligations from time to time to LaSalle the Subsidiary Stock and any other Pledged Security (as defined in the Pledge Agreement) whether now or hereafter pledged.

## 9. EVENTS OF DEFAULT; DEFAULT; RIGHTS UPON DEFAULT.

The happening or occurrence of any of the following events or acts shall each constitute a default hereunder (each, a "Default"), and any such default shall also constitute a Default under the Notes, the Pledge Agreement and any other loan document, without right to notice or time to cure in favor of the Borrower except as indicated below:

(a) if the Borrower fails to make any payment, as provided for herein;

(b) if there continues to exist any breach under any obligation of any other documents executed pursuant to this Agreement including, without limitation, the Notes and the Pledge Agreement and such breach remains uncured beyond the applicable time period, if any, specifically provided therefor;

(c) if any representation or warranty made in this Agreement shall be false when made or be false at any time during the term of this Agreement or any extension hereof, or if the Borrower fails to perform or observe any covenant or agreement contained in this Agreement within thirty (30) days after notice thereof by LaSalle;

(d) if the Borrower fails to perform or observe any covenant or agreement contained in any other agreement between the Borrower or any Subsidiary and LaSalle, or if any condition contained in any agreement between the Borrower or any Subsidiary and LaSalle is not fulfilled and such failure remains uncured beyond the cure period, if any, specifically provided therefor;

(e) if the Borrower shall continue to fail to perform and observe, or cause or permit any Subsidiary to fail to perform and observe any covenants under this Agreement, including, without limitation, all affirmative and negative covenants set forth in Sections 6 and 7 of this Agreement for fifteen (15) days after notice thereof by LaSalle;

(f) if the FRS, the FDIC, the Illinois Commissioner of Banks and Real Estate or other governmental agency charged with the regulation of bank holding companies or depository institutions: (i) issues to the Borrower or any Subsidiary, or initiates any action, suit or proceeding to obtain against, impose on or require from the Borrower, or any Subsidiary, a cease and desist order or similar regulatory order, the assessment of civil monetary penalties, articles of agreement, a memorandum of understanding, a capital directive, a capital restoration plan, restrictions that prevent or as a practical matter impair the payment of dividends by any Subsidiary (except those de novo Subsidiaries in their first three years of existence) or the payments of any debt by the Borrower, restrictions that make the payment of dividends by any Subsidiary or the payment of debt by the Borrower subject to prior regulatory approval, a notice or finding under section 51 or section 52 of the Illinois Banking Act or section 8(a) of the Federal Deposit Insurance Act, or any similar enforcement action, measure or proceeding; or (ii) issues to any officer or director of the Borrower, or any Subsidiary, or initiates any action, suit or proceeding to obtain against, impose on or require from any such officer or director, a cease and desist order or similar regulatory order, a removal order, a suspension order, or the assessment of civil monetary penalties;

(g) if any Subsidiary is notified that it is considered an institution in "troubled condition" within the meaning of 12 U.S.C. Section 1831i and the regulations promulgated thereunder, or if a conservator or receiver is appointed for any Subsidiary;

(h) if the Borrower or any Subsidiary (i) becomes insolvent or is unable to pay its debts as they mature; (ii) makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts as they mature;  
(iii) suspends transaction of its usual business; or (iv) if a trustee of any substantial part of the assets of the Borrower or any Subsidiary is applied for or appointed, and if appointed in a proceeding brought against the Borrower, the Borrower by any action or failure to act indicates its approval of, consent to, or acquiescence in such appointment, or within thirty (30) days such appointment is not vacated or stayed on appeal or otherwise, or shall not otherwise have ceased to continue in effect;

(i) if any proceedings involving the Borrower or any Subsidiary are commenced by or against the Borrower or any Subsidiary under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law or statute of the federal government or any state government and if such proceedings are instituted against the Borrower, the Borrower by any action or failure to act indicates its approval of, consent to or acquiescence therein, or an order shall be entered approving the petition in such proceedings and within thirty (30) days after the entry thereof such order is not vacated or stayed on appeal or otherwise, or shall not otherwise have ceased to continue in effect, or

(j) if the Borrower or any Subsidiary continues to be in default in any payment of principal or interest for any other obligation or in the performance of any other term, condition or covenant contained in any agreement (including, but not limited to, an agreement in connection with the acquisition of capital equipment on a title retention or net lease basis), under which any such obligation is created, the effect of which default is to cause or permit the holder of such obligation to cause such obligation to become due prior to its stated maturity.

Upon the occurrence of a Default, LaSalle shall have all rights and remedies provided by applicable law and, without limiting the generality of the foregoing, may, at its option, declare its commitments to be terminated and the Notes shall thereupon be and become forthwith, due and payable, without any presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Borrower, anything contained herein, in the Notes or the Pledge Agreement to the contrary notwithstanding, and may, also without limitation, appropriate and apply toward the payment of the Notes any indebtedness of LaSalle to the Borrower however created or arising, and may, also without limitation exercise any and all rights in and to the Pledged Security referred to in Section 6 above and in the Pledge Agreement. There shall be no obligation to liquidate the Pledged Security nor any other collateral pledged hereunder in any order or with any priority or to exercise any remedy available to LaSalle in any order,

#### 10. MISCELLANEOUS.

(a) No failure or delay on the part of LaSalle in exercising any right, power or remedy hereunder shall operate as a waiver thereof. No single or partial exercise of any such right, power or remedy shall preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The remedies herein provided are cumulative and not

exclusive of any remedies provided by law. Time is of the essence in the performance of the covenants, agreements and obligations of the Borrower and the Subsidiaries.

(b) This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements between LaSalle and the Borrower with respect to the subject matter hereof. No amendment, modification, termination or waiver of any provision of this Agreement, the Pledge Agreement or the Notes, or consent to any departure by the Borrower therefrom, shall be effective unless in writing and signed by LaSalle, and then such waiver or consent shall be effective only for the specific purpose for which given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(c) All notices, requests, demands and other communications provided for hereunder shall be: (i) in writing, (ii) made in one of the following manners, and (iii) shall be deemed given (A) if and when personally delivered; (B) on the next business day if sent by nationally recognized overnight courier addressed to the appropriate party as set forth below; or (C) on the second business day after being deposited in United States certified or registered mail, and addressed as follows:

If to Borrower:	Wintrust Financial Corporation 727 North Bank Lane Lake Forest, Illinois 60645 Attention: Edward J. Wehmer
If to LaSalle:	LaSalle Bank National Association 135 South LaSalle Street Chicago, Illinois 60674 Attention: Jeffery J. Bowden

or, as to each party, at such other address as shall be designated by such party in a written notice to each other party complying as to delivery with the terms of this subsection.

(d) This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

(e) This Agreement shall become effective when it shall have been executed by the Borrower and LaSalle and thereafter shall be binding upon and inure to the benefit of the Borrower, LaSalle and their respective successors and assigns; provided, that the Borrower shall not assign its rights hereunder or any interest herein without the prior written consent of LaSalle.

(f) This Agreement and the Notes shall be governed by the internal laws of the State of Illinois, and for all purposes shall be construed in accordance with the laws of said State without giving effect to the choice of law provisions of such State.

(g) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or

lack of enforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law.

(h) All covenants, agreements, representations and warranties made by the Borrower herein shall, notwithstanding any investigation by or knowledge on the part of LaSalle, be deemed material and relied on by LaSalle and shall survive the execution and delivery to LaSalle of this Agreement and the Notes.

(i) This Agreement shall govern the terms of any extensions or renewals of the Notes, subject to any additional terms and conditions imposed by LaSalle in connection with any such extension or renewal.

(j) The Borrower hereby represents that the indebtedness evidenced hereby constitutes a loan made by LaSalle to enable the Borrower to carry on a commercial enterprise for the purpose of investment or profit; and that such loan is a loan for business purposes under the intent and purview of 815 ILCS 205/4.

(k) LASALLE AND THE BORROWER, AFTER CONSULTING OR HAVING HAD THE OPPORTUNITY TO CONSULT WITH COUNSEL, EACH KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE IRREVOCABLY THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDING BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE NOTES, THE COLLATERAL, OR ANY OTHER AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION WITH THIS AGREEMENT, OR ANY COURSE OF CONDUCT OR COURSE OF DEALING IN WHICH LASALLE AND THE BORROWER ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR LASALLE GRANTING ANY FINANCIAL ACCOMMODATION TO THE BORROWER,

(l) TO INDUCE LASALLE TO MAKE THE LOAN, THE BORROWER IRREVOCABLY AGREES THAT ALL ACTIONS ARISING DIRECTLY OR INDIRECTLY AS A RESULT OR CONSEQUENCE OF THIS AGREEMENT, THE NOTES, THE PLEDGE AGREEMENTS OR ANY OTHER AGREEMENT WITH LASALLE SHALL BE INSTITUTED AND LITIGATED ONLY IN COURTS HAVING SITUS IN THE CITY OF CHICAGO, ILLINOIS. THE BORROWER HEREBY CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE OF ANY STATE OR FEDERAL COURT HAVING ITS SITUS IN CHICAGO, AND WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, THE BORROWER HEREBY WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS MAY BE MADE BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, DIRECTED TO THE BORROWER AS SET FORTH HEREIN IN THE MANNER PROVIDED BY APPLICABLE STATUTE, LAW, RULE OF COURT OR OTHERWISE.

(m) The Borrower will pay all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) in connection with the preparation, negotiation,

documentation, execution and delivery of this Agreement, and shall pay all reasonable costs and expenses (including, without limitation, reasonable attorneys' fees) for the administration, amendment, modification, collection and enforcement of this Agreement, the Notes, the Pledge Agreement and the other instruments and documents to be delivered hereunder. In addition, the Borrower shall pay, and save LaSalle harmless from any liability for, any and all stamp and other taxes determined to be payable in connection with the execution and delivery of this Agreement, the borrowings hereunder, or the Notes and the other instruments and documents to be delivered hereunder, and agrees to save LaSalle harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omitting to pay such taxes. The foregoing obligations shall survive any termination of this Agreement, the Notes or the Pledge Agreement. Any of the foregoing amounts incurred by LaSalle and not paid by the Borrower upon demand shall bear interest from the date incurred at the Prime Rate plus two percent (2%) per annum and shall be deemed part of the indebtedness hereunder.

(n) Any accounting term not specifically defined herein shall be construed in accordance with generally accepted accounting principles and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

(o) LaSalle reserves the right to sell participations in this Loan or otherwise assign, transfer or hypothecate all or any part of this Loan.

(p) All covenants, agreements warranties and representations of the Borrower herein shall be deemed to have been made jointly and severally by the Borrower and the Subsidiaries.

(q) The Borrower agrees to do such further acts and things and to execute and deliver to LaSalle such additional assignments, agreements, powers and instruments as LaSalle may reasonably require or deem advisable to carry into affect the purpose of this Agreement, the Notes, the Pledge Agreement or any agreement or instrument in connection herewith, or to better assure and confirm unto the LaSalle its rights, powers and remedies hereunder or under such other loan documents.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

LASALLE BANK NATIONAL  
ASSOCIATION

By: \_\_\_\_\_  
Its: \_\_\_\_\_

WINTRUST FINANCIAL CORPORATION

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## **SUBORDINATED NOTE**

THIS OBLIGATION IS NOT A DEPOSIT AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION. THIS OBLIGATION IS SUBORDINATED TO THE CLAIMS OF DEPOSITORS, IS INELIGIBLE AS COLLATERAL FOR A LOAN BY THE LENDER, AND IS NOT SECURED.

\$25,000,000

Date: October 29, 2002 Maturity Date: October 29, 2012

WINTRUST FINANCIAL CORPORATION, an Illinois corporation (the "Borrower"), promises to pay to the order of LASALLE BANK NATIONAL ASSOCIATION (the "Lender"), at the Lender's offices at 135 S. LaSalle Street, Chicago, Illinois 60603, in lawful money of the United States of America, the principal amount of TWENTY FIVE MILLION AND 00/THS DOLLARS (\$25,000,000), together with interest on the part of the principal amount from time to time remaining unpaid from this date until such principal is paid at the rate and payable in the manner set forth below.

The entire unpaid principal of this Note and any accrued interest then unpaid shall be due and payable on or before October 29, 2012. The interest on this Note shall be due and payable quarterly commencing November 29, 2002 and continuing on each February 28, May 29, August 29 and November 29 thereafter, and on the date on which this Note is payable, or after maturity, on demand. The Borrower shall have the right and privilege of prepaying all or any part of this Note at any time without notice or penalty, subject to approval of the Federal Reserve Bank (if required), and all payments on this Note shall be applied first to accrued interest and the balance, if any, to principal.

Borrower shall make a principal payment of Five Million Dollars (\$5,000,000) on November 29, 2008 and on the same day of each year thereafter, through and including November 29, 2011 and a final payment of the principal balance due, if any, shall be paid on October 29, 2012.

Interest hereunder shall be calculated at the LIBOR Rate plus 2.60% (calculated on the actual number of days elapsed on the basis of a 360 day year). "LIBOR" means the rate of interest equal to the offered rate for deposits in United States dollars for an Interest Period as published in Bloomberg's LIBOR BBA US Dollar Fixing Report at approximately 11:30 a.m. (London, England time) one banking day prior to the first day of such Interest Period, such rate to remain fixed for the applicable Interest Period. "Interest Period" shall mean a three month period (except that the first and last periods of the Loan may be less than a 90 day period); by notice given to the Lender not less than three banking days prior to the first day of each respective Interest Period; provided that the final Interest Period shall be such that its expiration occurs on or before the stated maturity date of this Note.

Lender's determination of LIBOR as provided above shall be conclusive, absent manifest error. Furthermore, if Lender determines, in good faith (which determination shall be conclusive,

absent manifest error), prior to the commencement of any Interest Period that

(i) U.S. Dollar deposits of sufficient amount and maturity for funding the Loans are not available to Lender in the London Interbank Eurodollar market in the ordinary course of business, or (ii) by reason of circumstances affecting the London Interbank Eurodollar market, adequate and fair means do not exist for ascertaining the rate of interest to be applicable to the Loans requested by Borrower to be LIBOR Rate Loans or the Loans bearing interest at the rates set forth in this paragraph shall not represent the effective pricing to Lender for U.S. Dollar deposits of a comparable amount for the relevant period (such as for example, but not limited to, official reserve requirements required by Regulation D to the extent not given effect in determining the rate), Lender shall promptly notify Borrower and no additional LIBOR Rate Loans shall be made until such circumstances are cured.

If, after the date hereof, the introduction of, or any change in any applicable law, treaty, rule, regulation or guideline or in the interpretation or administration thereof by any governmental authority or any central Lender or other fiscal, monetary or other authority having jurisdiction over Lender or its lending offices (a "Regulatory Change"), shall, in the opinion of counsel to Lender, make it unlawful for Lender to make or maintain LIBOR Rate Loans, then Lender shall promptly notify Borrower and (i) the LIBOR Rate Loans shall immediately convert to Prime Rate Loans on the last Business Day of the then existing Interest Period or on such earlier date as required by law and (ii) no additional LIBOR Rate Loans shall be made until such circumstance is cured.

If, for any reason, a LIBOR Rate Loan is paid prior to the last Business Day of any Interest Period or if a LIBOR Rate Loan does not occur on a date specified by Borrower in its request (other than as a result of a default by Lender), Borrower agrees to indemnify Lender against any loss (including any loss on redeployment of the deposits or other funds acquired by Lender to fund or maintain such LIBOR Rate Loan) cost or expense incurred by Lender as a result of such prepayment.

If any Regulatory Change (whether or not having the force of law) shall

- (i) impose, modify or deem applicable any assessment, reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of or loans by, or any other acquisition of funds or disbursements by, Lender;
- (ii) subject Lender or the LIBOR Rate Loans to any Tax ("Tax" shall mean in

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relation to any LIBOR Rate Loans and the applicable LIBOR Rate, any tax, levy, impost, duty, deduction, withholding or charges of whatever nature required (i) to be paid by Lender and/or (ii) to be withheld or deducted from any payment otherwise required hereby to be made by Borrower to Lender; provided, that the term "Tax" shall not include any taxes imposed upon the net income of Lender) or change the basis of taxation of payments to Lender of principal or interest due from Borrower to Lender hereunder (other than a change in the taxation of the overall net income of Lender); or (c) impose on Lender any other condition regarding the LIBOR Rate Loans or Lender's funding thereof, and Lender shall determine (which determination shall be conclusive, absent any manifest error) that the result of the foregoing is to increase the cost to Lender of making or maintaining the LIBOR Rate Loans or to reduce the amount of principal or interest received by Lender hereunder, then Borrower shall pay to Lender, on demand, such additional amounts as Lender shall, from time to time, determine are sufficient to compensate and indemnify Lender from such increased cost or reduced amount.

Lender shall receive payments of amounts of principal of and interest with respect to the LIBOR Rate Loans free and clear of, and without deduction for, any Tax. If (1) Lender shall be

subject to any Tax in respect of any LIBOR Rate Loans or any part thereof or,

(2) Borrower shall be required to withhold or deduct any Tax from any such amount, the LIBOR Rate applicable to such LIBOR Rate Loans shall be adjusted by Lender to reflect all additional costs incurred by Lender in connection with the payment by Lender or the withholding by Borrower of such Tax and Borrower shall provide Lender with a statement detailing the amount of any such Tax actually paid by Borrower. Determination by Lender of the amount of such costs shall be conclusive, absent manifest error. If after any such adjustment any part of any Tax paid by Lender is subsequently recovered by Lender, Lender shall reimburse Borrower to the extent of the amount so recovered. A certificate of an officer of Lender setting forth the amount of such recovery and the basis therefor shall be conclusive, absent manifest error.

Borrower hereby further promises to pay to the order of Lender, on demand, interest on the unpaid principal amount hereof after maturity (whether by acceleration or otherwise) at the Lender's Prime Rate plus two percent (2%). "Prime Rate" shall mean the rate of interest which Lender announces as its "prime rate" and is not intended to be the lowest or best rate which it charges to its customers. The Prime Rate hereunder shall change if and when the Prime Rate of Lender changes. In the event the Lender is unable to make LIBOR Loans, the interest rate hereunder shall change to the per annum rate of the Prime Rate plus one percent (1%).

The indebtedness of the Borrower evidenced by this Note, including the principal and premium, if any, and interest shall be subordinate and junior in right of payment to its obligations to its depositors, its obligations under bankers' acceptances and letters of credit, and its obligations to its other creditors, including its obligations to the Federal Reserve Bank, Federal Deposit Insurance Corporation (FDIC), and any rights acquired by the FDIC as a result of loans made by the FDIC to the Borrower or the purchase or guarantee of any of its assets by the FDIC pursuant to the provisions of 12 USC 1823(c), (d) or (e), whether now outstanding or hereafter incurred. In the event of any insolvency, receivership, conservatorship, reorganization, readjustment of debt, marshaling of assets and liabilities or similar proceedings or any liquidation or winding up of or relating to the Borrower, whether voluntary or involuntary, all such obligations shall be entitled to be paid in full before any payment shall be made on account of the principal of, or premium, if any, or interest, on the Note. In the event of any such proceedings, after payment in full of all sums owing on such prior obligations, the holder, of the Note, together with any obligations of the Borrower ranking on a parity with the Note, shall be entitled to be paid from the remaining assets of the Borrower the unpaid principal thereof and any unpaid premium, if any, and interest before any payment or other distribution, whether in cash, property, or otherwise, shall be made on account of any capital stock or any obligations of the Borrower ranking junior to the Note. Nothing herein shall impair the obligation of the Borrower, which is absolute and unconditional, to pay the principal of and any premium and interest on the Note according to its terms.

This Note shall become immediately due and payable, at the option of the holder, without presentment or demand or any notice to the Borrower or any other person obligated, (i) upon default in the payment of any of the principal or interest, for a period of 15 days after such payment is due; or (ii) upon default (a) in the payment of any of the principal of or interest on any other indebtedness of the Borrower for borrowed money owing from the Borrower to the Lender, or (b) in the payment of any other material indebtedness for borrowed money and, in either event, the continuance of such default beyond any period of grace provided for in the instrument or instruments evidencing such indebtedness.

The Borrower waives demand, presentment for payment, notice of nonpayment, notice of protest, and all other notices.

Notwithstanding any other provisions of this Note, including specifically those set forth in the sections relating to subordination, events of default and covenants of the Borrower, it is expressly understood and agreed that the Federal Reserve Bank (FRB) or any receiver or conservator of the Borrower appointed by the FRB shall have the right in the performance of his legal duties, and as part of liquidation designed to protect or further the continued existence of the Borrower or the rights of any parties or agencies with an interest in, or claim against, the Borrower or its assets, to transfer or direct the transfer of the obligations of this Note to any bank or bank holding company selected by such official which shall expressly assume the obligation of the due and punctual payment of the unpaid principal, and interest and premium, if any, on this Note and the due and punctual performance of all covenants and conditions; and the completion of such transfer and assumption shall serve to supersede and void any default, acceleration or subordination which may have occurred, or which may occur due or related to such transaction, plan, transfer or assumption, pursuant to the provisions of this Note, and shall serve to return the holder to the same position, other than for substitution of the obligor, it would have occupied had no default, acceleration or subordination occurred; except that any interest and principal previously due, other than by reason of acceleration, and not paid shall, in the absence of a contrary agreement by the holder of this Note, be deemed to be immediately due and payable as of the date of such transfer and assumption, together with the interest from its original due date at the rate provided for herein.

Borrower hereby authorizes the Lender to charge any account of the Borrower for sums due hereunder. Principal payments submitted in funds not available until collected shall continue to bear interest until collected. If payment hereunder becomes due and payable on a Saturday, Sunday or legal holiday under the laws of the United States or the State of Illinois, the due date thereof shall be extended to the next succeeding business day, and interest shall be payable thereon at the rate specified during such extension.

Borrower shall be in default hereunder if: (1) any amount payable on this Note (the "Obligations"), is not paid when due; or (2) Borrower shall otherwise fail to perform any of the material promises to be performed by it hereunder or under any other agreement with Lender and all applicable grace periods have expired; or (3) the Borrower or any person who is or shall become primarily or secondarily liable for any of the Obligations, who is a natural person, dies; or (4) the Borrower, or any other party liable with respect to the Obligations, or any guarantor or accommodation endorser or third party pledgor, shall make any assignment for the benefit of creditors, or there shall be commenced any bankruptcy, receivership, insolvency, reorganization, dissolution or liquidation proceedings by or against, or the entry of any judgment, levy, attachment, garnishment or other process against the Borrower or any guarantor, or any other party liable with respect to the Obligations, or accommodation endorser or third party pledgor for any of the Obligations or against any of the Collateral or any of the collateral under a separate security agreement signed by any one of them, unless released, satisfied or dismissed within thirty (30) days; or (5) there is a discontinuance or termination by any guarantor of any guaranty of the Obligations hereunder, or any guarantor of this Note shall contest the validity of such guaranty; or (6) failure of the Borrower, after request by the Lender, to furnish financial information concerning the Borrower or to permit inspection by the Lender of the Borrower's books and records; (7) the determination by the Lender that a material adverse change has occurred in the financial condition

of the Borrower from the condition set forth in the most recent financial statement of the Borrower furnished to the Lender, or from the financial condition of the Borrower most recently disclosed to Lender in any manner; or  
(8) any oral or written warranty, representation, certificate or statement of the Borrower to the Lender is untrue.

Whenever the Borrower shall be in default as aforesaid, without demand or notice of any kind, the entire unpaid amount of all Obligations shall become immediately due and payable and Lender may exercise, from time to time, any and all rights and remedies available to it.

The Borrower waives the benefit of any law that would otherwise restrict or limit Lender in the exercise of its right, which is hereby acknowledged, to appropriate without notice, at any time hereafter, any indebtedness matured or unmatured, owing from Lender to the Borrower. The Lender may, from time to time, without demand or notice of any kind, appropriate and apply toward the payment of such of the obligations, and in such order of application, as the Lender may, from time to time, elect any and all such balances, credits, deposits, accounts, moneys, cash equivalents and other assets, of or in the name of the Borrower, then or thereafter with the Lender.

The Borrower and any and all endorsers and accommodation parties, and each of them, waive any and all presentment, demand, notice of dishonor, protest, and all other notices and demands in connection with the enforcement of Lender's rights hereunder. No obligation of the Borrower hereunder shall be waived by the Lender except in writing. No delay on the part of the Lender in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Lender of any right or remedy shall preclude other or further exercise thereof, or the exercise of any other right or remedy. This Note (i) is valid, binding and enforceable in accordance with its provisions, and no conditions exist to its legal effectiveness; (ii) contains the entire agreement between the Borrower and Lender; (iii) is the final expression of their intentions; and (iv) supersedes all negotiations, representations, warranties, commitments, offers, contracts (of any kind or nature, whether oral or written) prior to or contemporaneous with the execution hereof. No prior or contemporaneous representations, warranties, understandings, offers or agreements of any kind or nature, whether oral or written have been made by Lender or relied upon by the Borrower in connection with the execution hereof. No modification, discharge, termination or waiver or any of the provisions hereof shall be binding upon the Lender, except as expressly set forth in writing duly signed and delivered on behalf of the Lender.

The Borrower agrees to pay all costs, legal expenses, attorneys' fees and paralegals' fees of every kind, paid or incurred by Lender in enforcing its rights hereunder, including, but not limited to, litigation or proceedings initiated under the United States Bankruptcy Code, or in defending against any defense, cause of action, counterclaim, setoff or crossclaim based on any act of commission or omission by the Lender with respect to this Note, promptly on demand of Lender or other person paying or incurring the same.

To induce the Lender to make the loan evidenced by this Note, the Borrower irrevocably agrees that all actions arising directly or indirectly as a result or in consequence of this Note or any other agreement with the Lender may be instituted and litigated in courts having situs in the City of Chicago, Illinois, and the Borrower hereby consents to the exclusive jurisdiction and venue of any State or Federal Court located and having its situs in said city, and waives any objection based on

forum nonconveniens. Furthermore, the Borrower waives all notices and demands in connection with the enforcement of the Lender's rights hereunder.

The loan evidenced hereby has been made and this Note has been delivered at the Lender's main office. This Note shall be governed and construed in accordance with the laws of the State of Illinois, in which state it shall be performed, and shall be binding upon the Borrower and their respective heirs, legal representatives, successors and assigns. Wherever possible, each provision of this Note shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited by or be invalid under such law, such provision shall be severable, and be ineffective to the extent of such prohibition or invalidity, without invalidating the remaining provisions of this Note.

The Borrower acknowledges and agrees that the lending relationship hereby created with the Lender is and has been conducted on an open and arm's length basis in which no fiduciary relationship exists and that the Borrower has not relied and is not relying on any such fiduciary relationship in consummating the loan(s) evidenced by this Note.

THE LENDER AND THE BORROWER KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE IRREVOCABLY, THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY LEGAL PROCEEDINGS BASED HEREON, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE, OR ANY AGREEMENT EXECUTED OR CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH OR ANY COURSE OF CONDUCT OR COURSE OF DEALING, IN WHICH THE LENDER AND THE BORROWER ARE ADVERSE PARTIES. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE LENDER GRANTING ANY FINANCIAL ACCOMMODATION TO THE BORROWER.

**WINTRUST FINANCIAL CORPORATION**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**WINTRUST FINANCIAL CORPORATION**  
**FORM 10-K, EXHIBIT 12.1**

**Computation of Ratio of Earnings to Fixed Charges**

The following table presents the calculation of the ratio of earnings to fixed charges for the last five years.

(dollars in thousands)

		Years ended December 31,				
		2002	2001	2000	1999	1998
Income before income taxes	A	\$ 42,495	\$ 29,129	\$ 16,448	\$ 14,151	\$ 4,709
Interest expense:						
Interest on deposits		\$ 70,061	\$ 83,503	\$ 78,670	\$ 56,026	\$ 49,069
Interest on other borrowings	C	14,044	8,938	8,514	5,571	2,146
Total interest expense	B	\$ 84,105	\$ 92,441	\$ 87,184	\$ 61,597	\$ 51,215
Ratio of earnings to fixed charges:						
Including deposit interest	(A+B) / B	1.51x	1.32x	1.19x	1.23x	1.09x
Excluding deposit interest	(A+C) / C	4.03x	4.26x	2.93x	3.54x	3.19x

**WINTRUST FINANCIAL CORPORATION**

Increased earnings 51%

Increased diluted earnings per share 26%

Increased our non-interest income 111%

Increased net revenue 54%

Increased total assets 38%

Increased total deposits 33%

Increased total loans 27%

Net overhead ratio improved to 1.41%

Increased return on average assets 10%

Increased book value per common share 36%

Increased market price per common share 54%

Enhanced our full-service wealth management capabilities

- o Wayne Hummer Investments
- o Wayne Hummer Trust Company
- o Wayne Hummer Asset Management Company
- o Lake Forest Capital Management
- o Wayne Hummer Mutual Funds

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. We hope you enjoy the report.

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All share and per share amounts in this report reflect the 3-for-2 stock split, effected in the form of a 50% stock dividend, declared in January 2002, paid on March 14, 2002 to shareholders of record on March 4, 2002.

## SELECTED FINANCIAL TRENDS

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[TOTAL ASSETS BAR CHART GRAPHIC OMITTED]

[EARNINGS PER SHARE BAR CHART GRAPHIC OMITTED]

[NET INCOME BAR CHART GRAPHIC OMITTED]

[NET REVENUE BAR CHART GRAPHIC OMITTED]

[BOOK VALUE PER COMMON SHARE BAR CHART GRAPHIC OMITTED]

[RETURN ON AVERAGE EQUITY BAR CHART GRAPHIC OMITTED]

Note: All share and per share amounts in this annual report reflect the 3-for-2 stock split, effected in the form of a 50% stock dividend, declared in January 2002, paid on March 14, 2002 to shareholders of record on March 4, 2002.

## SELECTED FINANCIAL HIGHLIGHTS

All share and per share amounts reflected in this annual report reflect the 3-for-2 stock split, effected in the form of a 50% stock dividend, declared in January 2002 and paid on March 14, 2002.

	Years Ended December 31,				
	2002	2001	2000	1999	1998
(dollars in thousands, except per share data)					
<b>SELECTED FINANCIAL CONDITION DATA</b>					
(AT END OF YEAR):					
Total assets	\$ 3,721,555	\$ 2,705,422	\$ 2,102,806	\$ 1,679,382	\$ 1,348,048
Total loans	2,556,086	2,018,479	1,547,596	1,270,126	974,031
Total deposits	3,089,124	2,314,636	1,826,576	1,463,622	1,229,154
Notes payable	44,025	46,575	27,575	8,350	-
Subordinated note	25,000	-	-	-	-
Federal Home Loan Bank advances	140,000	90,000	-	-	-
Long term debt-- trust preferred securities	50,894	51,050	51,050	31,050	31,050
Total shareholders' equity	227,002	141,278	102,276	92,947	75,205
<b>SELECTED STATEMENTS OF OPERATIONS DATA:</b>					
Net interest income	\$ 98,128	\$ 74,014	\$ 61,000	\$ 47,734	\$ 36,764
Net revenue	158,800	102,812	79,306	57,542	44,839
Net income	27,875	18,439	11,155	9,427	6,245
Net income per common share - Basic	1.71	1.34	0.85	0.76	0.51
Net income per common share - Diluted	1.60	1.27	0.83	0.73	0.49
Cash dividends declared per common share	0.12	0.093	0.067	-	-
<b>SELECTED FINANCIAL RATIOS AND OTHER DATA:</b>					
<b>Performance Ratios:</b>					
Net interest margin	3.34%	3.49%	3.66%	3.54%	3.43%
Core net interest margin (1)	3.51	3.73	3.91	3.75	3.50
Non-interest income to average assets	1.89	1.24	0.99	0.66	0.69
Non-interest expense to average assets	3.30	2.83	3.12	2.65	3.04
Net overhead ratio (2)	1.41	1.59	2.13	2.00	2.36
Efficiency ratio (3)	66.41	63.66	72.33	68.63	79.75
Return on average assets	0.87	0.79	0.60	0.63	0.53
Return on average equity	14.76	15.24	11.51	11.58	8.68
Average total assets	\$ 3,212,467	\$ 2,328,032	\$ 1,853,582	\$ 1,496,566	\$ 1,177,745
Average total shareholders' equity	188,849	120,995	96,918	81,381	71,906
Ending loan-to-deposit ratio	82.7%	87.2%	84.7%	86.8%	79.2%
Average loans to average deposits ratio	88.5	87.4	87.7	86.6	80.1
Average interest earning assets to average interest bearing liabilities	109.86	109.35	107.24	106.96	108.92
<b>Asset Quality Ratios:</b>					
Non-performing loans to total loans	0.49%	0.64%	0.63%	0.55%	0.56%
Non-performing assets to total assets	0.34	0.48	0.46	0.41	0.45
Allowance for loan losses to:					
Total loans	0.72	0.68	0.67	0.69	0.72
Non-performing loans	146.63	105.63	107.75	126.10	129.66
<b>Common Share Data at end of year:</b>					
Market price per common share	\$ 31.32	\$ 20.38	\$ 10.63	\$ 10.17	\$ 13.09
Book value per common share	\$ 13.19	\$ 9.72	\$ 7.92	\$ 7.06	\$ 6.15
Common shares outstanding	17,216,270	14,531,665	12,921,592	13,156,207	12,224,919
<b>Other Data at end of year:</b>					
Number of:					
Bank subsidiaries	7	7	7	6	6
Non-bank subsidiaries	7	3	3	3	2
Banking offices	31	29	28	24	21

- (1) The core net interest margin excludes the interest expense associated with the Company's Long-Term Debt -- Trust Preferred Securities.
- (2) 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.
- (3) 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.

## TO OUR FELLOW SHAREHOLDER,

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Welcome to Wintrust Financial Corporation's seventh annual report. And thank you for being a shareholder.

### WHO WE ARE . . . AND HOW WE HAVE GROWN

For those of you new to Wintrust, here's a brief resume of our growing organization:

#### [NUMBER OF BANK FACILITIES BAR CHART GRAPHIC OMITTED]

- o It all began in 1991 when we launched a de novo community bank in Lake Forest, Illinois--no customers, no assets, but a lot of dreams.
- o We became a publicly traded company in 1996.
- o And we are now a \$3.7 billion financial services holding company.
- o We provide commercial and community banking services to approximately 60,000 customer households via our seven bank charters and 32 banking facilities located in some of the most affluent suburban markets in Chicago.
- o Through our Wayne Hummer Companies we provide wealth management services to approximately 20,000 customer households, including retail brokerage, asset management, trust services, proprietary mutual funds, annuities and a wide array of other financial products.
- o We also augment our earning assets and fee revenue through a number of non-bank businesses and bank asset niches including First Insurance Funding's premium finance business, Tricom's payroll funding and processing business for the temporary staffing industry, Lake Forest Bank's MMF Leasing, Hinsdale Bank's mortgage warehousing and indirect auto lending, Barrington Bank's Community Advantage condominium association lending, and Crystal Lake Bank's NorthAmerican Aviation Finance aircraft lending.

### A QUICK OVERVIEW

2002 was again a very good year for our young organization and its growing family of companies. Through our continuing de novo bank expansion, wealth management acquisitions, and successful loan generation efforts, we have achieved solid growth in assets (up \$1.0 billion or 38%), loans (up \$538 million or 27%), and non-interest income (up 111% for the year).

We achieved record net revenue levels (54% increase versus 2001) while positioning our organization for the future. Net interest income increased by one third. And non-interest income, which now accounts for 38% of revenue, more than doubled for the year. This diversification of our revenue stream is important to position the firm to weather changing economic conditions.

While eleven rate cuts by the Federal Reserve in 2001 and one additional cut in November of 2002 have reduced loan rates to record lows and squeezed our net interest margin, our balance sheet is now positioned to benefit from eventual future rate increases. This strategy reduced our interest margin and earnings somewhat in 2002, but we think it positions us well for the future.

We achieved this growth while managing to reduce non-performing assets from 0.48% of total assets in 2001 to 0.34% of total assets in 2002. In an economic time where many banks are struggling with bad loans, our conservative approach and diligence in pursuing past due loans continues to result in a better non-performing loan level than our peer group.

#### [LOANS PIE CHART GRAPHIC OMITTED]

As a result of all of the above, our earnings grew 51% for the year. And this makes us, once again, one of the fastest growing financial services groups in the U.S. in terms of assets and earnings.

**[TOTAL SHAREHOLDERS' EQUITY BAR CHART GRAPHIC OMITTED]**

We accomplished these earnings levels even as we began to invest in building the infrastructure required to grow our wealth management capabilities. In February 2002 we completed the acquisition of a venerable Chicago wealth management brand, Wayne Hummer. Wayne Hummer is the oldest brokerage firm in Chicago and their expertise nicely complements our own trust and banking capabilities. And in December 2002 we reached an agreement to acquire Lake Forest Capital Management, a Lake Forest-based asset management firm. This acquisition closed in February 2003.

The opportunities to grow Wintrust's wealth management services are enormous as we 1) expand the Wayne Hummer brand name and capabilities across metropolitan Chicago and 2) distribute Wayne Hummer's products and services to customers of our community banks which are located in some of the most affluent suburban markets in Chicago. Our long-term goal is to be the best wealth management services provider in the Chicago area.

Needless to say, Wintrust is well positioned for 2003 and beyond.

And the market place must agree. Our stock price increased 54% for the year and closed 2002 at \$31.32.

**THANK YOU, THANK YOU, THANK YOU**

It is our tradition (and rightly so) to start off by thanking all of our dedicated employees who continue to provide our customers with the best service around, bar none. At the end of the day, this is the most important thing we do-take care of our customers' needs. And to our clients-banking, investment, trust, premium finance, employment agencies-we thank you for allowing us to assist with your financial affairs. And to our more than 100 directors of Wintrust Financial Corporation and our subsidiaries, we would like to thank you for your leadership. And finally to our shareholders, we'd like to thank you for keeping us focused on what we do best-profitably growing our franchises by delivering our unique brand of superior customer service and products uniquely targeted to meet local needs.

**CORPORATE GOVERNANCE AND A SPECIAL THANKS TO OUR RETIRING DIRECTORS**

In response to extreme failures in corporate governance of a few large U.S. corporations, Congress enacted the Sarbanes-Oxley Act of 2002 and the Nasdaq proposed rules relating to corporate governance for its members. Wintrust is proud to say that we have a solid foundation of corporate governance and the new governance requirements will not significantly impact our method of governing your Company. A majority of our directors were considered independent before the new rules were enacted, and we will obviously continue with a majority of independent directors serving on our board. Our Compensation and Nominating Committee and our Audit Committee are and will continue to be comprised solely of independent directors.

We are making some changes to enhance our governance process. The Board and its committees routinely convened executive sessions without management present but we now require such executive sessions to be held at each meeting of the Board and its committees. At each meeting, the Board also convenes an executive session exclusively with independent directors. The functions of our Compensation and Nominating Committee will be realigned into two separate committees: a Compensation Committee and a Corporate Governance Committee. The Board also decided that a 24-member board was too large to operate effectively, and the Board was reduced to 14 members in March 2003.

We would like to thank Joseph Alaimo, William C. Graft, Raymond L. Kratzer, Dorothy M. Mueller, Christopher J. Perry, Penelope J. Randel, Peter P. Rusin, John N. Schaper, Katharine V. Sylvester, Larry V. Wright, Maurice F. Dunne, Jr. (Emeritus) and Lemuel H. Tate (Emeritus), all of whom retired from our Board in 2002 or in early 2003. Their guidance and leadership were greatly appreciated. Their input and counsel clearly were vital to our success and our positioning for further growth.

**"I COULDN'T DO THAT? COULD YOU DO THAT? HOW CAN THEY DO THAT? WHO ARE THOSE GUYS?"**

This famous line from the 1969 movie classic, Butch Cassidy and the Sundance Kid, captures some of the pride we have in our employees' accomplishments. Through their hard work and superior local marketing strategies, our community banks have achieved a leadership market share position in all of our mature markets. Not bad considering all of these banks started life with no customers and no deposits not very many years ago.

**[ASSET GROWTH BY BANK LINE CHART GRAPHIC OMITTED]**

BANK	INITIAL OPENING	DEPOSIT MARKET SHARE RANK*
1. Lake Forest Bank & Trust	12/91	2 (out of 7)
2. Hinsdale Bank & Trust	10/93	2 (out of 14)
3. North Shore Community Bank & Trust	09/94	1 (out of 9)
4. Libertyville Bank & Trust	10/95	1 (out of 8)
5. Barrington Bank & Trust	12/96	2 (out of 8)
6. Crystal Lake Bank & Trust	12/97	2 (out of 13)
7. Northbrook Bank & Trust	11/00	5 (out of 11)

\*FDIC depositmarket share as of June 30, 2002

In our sixth full year as a public company, we continued to execute our strategic plan and improved our performance measurements. Through our continued expansion, aggressive sales and marketing efforts, and select acquisitions, we have been able to achieve something that few financial services groups around the country can boast about these days--compound growth rates in assets, revenues and earnings that consistently exceed our peer group.

	COMPOUND GROWTH RATES				
	1 YEAR	2 YEAR	3 YEAR	4 YEAR	5 YEAR
Total Assets	37.6%	33.0%	30.4%	28.9%	28.7%
Total Loans	26.6%	28.5%	26.3%	27.3%	29.5%
Total Deposits	33.5%	30.0%	28.3%	25.9%	27.5%
Total Revenue	54.5%	41.5%	40.3%	37.2%	38.0%
Net Income	51.2%	58.1%	43.5%	45.4%	41.9%
Earnings Per Share	26.0%	38.8%	29.9%	34.4%	32.0%

Stifel, Nicolaus & Company, a respected market maker, publishes quarterly data for the 65 bank holding companies they regularly track. Their most recent analysis once again ranks Wintrust's five year annual compound growth rate in earnings per share performance in the top two of those bank holding companies that they track.

## [NET REVENUE GROWTH BY BANK LINE CHART GRAPHIC OMITTED]

While some banks and financial services groups are successful in growing earnings, by consolidating and shrinking operations, or growing assets with significantly reduced earnings or lowered share price due to acquisitions, few have been able to simultaneously grow both earnings and assets at the levels we have achieved. And not only for a one year period, but consistently during our young life as a public company.

### ACCELERATING EARNINGS GROWTH

## [NET INCOME GROWTH BY BANK LINE CHART GRAPHIC OMITTED]

Our earnings are accelerating as our portfolio of young banks mature and we continue to reap the benefits of being an asset-driven organization. Past trends indicate that this earnings acceleration should continue for a number of reasons.

In reviewing historical trends, we have generally been able to grow our recently introduced banks at relatively the same historical rate as we grew our initial banks. That is because we use the same proven "recipe" for starting and growing each of our banks--local decision making and aggressive share-building marketing. And the earnings performance of our young banks is also enhanced as our banks mature and grow into their infrastructure. We have also been able to continue to grow our mature banks by adding de novo branches in new markets and improving their market penetration in existing markets.

We fully expect that our young banks will follow the same improving trend lines (assets, revenues, and earnings) as their more mature siblings. And our ability to now cross-sell wealth management services and add this non-interest income should further improve Wintrust's overall performance.

### WHAT COMES NEXT

Please enjoy the remainder of our 2002 Annual Report, which highlights the following areas:

- o Overall Financial Performance
- o Wintrust Financial Corporation Locations
- o An Update On Our Banking Companies
- o An Update On Our Wealth Management Companies
- o An Update On Our Other Companies
- o Growth and Earnings Strategies for the Future
- o Our Customer-First Philosophy
- o Consolidated Financial Statements
- o Notes to Consolidated Financial Statements
- o Report of Independent Auditors
- o Management's Discussion and Analysis
- o Directors & Officers
- o Corporate Locations
- o Corporate Information

**SUMMARY**

In summary, we are pleased with the Company's results in 2002. It again was a very good year in terms of executing our strategy of balancing growth of the balance sheet with growth in earnings. We are excited about our opportunities, especially in the area of wealth management.

We continue to be grateful for your support of our organization and are enthusiastic about making 2003 and the years ahead even better.

Thank you again for being a shareholder and supporting our business.

Sincerely,

[PORTRAIT OMITTED]

*/s/ John S. Lillard  
John S. Lillard  
Chairman*

[PORTRAIT OMITTED]

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

[PORTRAIT OMITTED]

*/s/ David A. Dykstra  
David A. Dykstra  
Senior Executive Vice President & Chief  
Operating Officer*

## OVERALL FINANCIAL PERFORMANCE

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In 2002 we again achieved record earnings as we pushed through the \$3.7 billion asset level. Here is an overview summarizing our financial and other accomplishments during the year:

### [TOTAL DEPOSITS BAR CHART GRAPHIC OMITTED]

- o Wintrust generated record earnings for the year with net income of \$27.9 million in 2002 compared with \$18.4 million in 2001, an increase of 51%;
- o On a year-to-date basis, net income per diluted common share totaled \$1.60 compared to the \$1.27 reported in 2001, a 26%. The lower growth rate in the earnings per share as compared to net income was primarily due to the issuance of 762,742 shares in conjunction with the February 2002 acquisition of the Wayne Hummer Companies and the issuance in a secondary public offering of 1,362,750 additional shares of common stock in June and July of 2002 through an underwritten offering;
- o Return on average equity for 2002 stood at 14.8%, down slightly from last year's 15.2% due to the issuance of additional shares;
- o Total assets grew to \$3.7 billion as of December 31, 2002, an increase of \$1.0 billion, or 38%, compared to a year ago;
- o Total deposits rose to \$3.1 billion as of year-end 2002, an increase of \$774 million, or 33%, compared to December 31, 2001;
- o Total loans reached \$2.6 billion as of December 31, 2002, an increase of \$538 million, or 27%, compared to a year ago;
- o On February 20, 2002, we completed the acquisition of Wayne Hummer Investments, LLC and Wayne Hummer Asset Management Company. Also, in December 2002, Wintrust announced the signing of an agreement to acquire Lake Forest Capital Management Company based in Lake Forest, Illinois. We closed on this acquisition in February 2003. These acquisitions provide Wintrust with the wealth management services our customers need and non-interest income that helps diversify revenues.

### [TOTAL NET LOANS BAR CHART GRAPHIC OMITTED]

#### **OUR "RUN RATE" IS EVEN BETTER**

As a relatively young financial services group that continues to grow our earnings on a sequential quarter basis, just looking at "total year" results understates our potential performance. If we annualize our fourth quarter's earnings, we would generate net income in 2003 of \$31.7 million. This would represent a 14% increase over 2002 results, before expected improvements. If we were to factor in expected growth, which is reasonable given our track record and the continued maturation of our young franchise, it would appear that the trends are in place for Wintrust to have another strong year in 2003.

#### **HOW DID WE DO VERSUS OUR GOALS?**

At Wintrust, we set aggressive goals and evaluate our performance versus those goals. Progressing towards these financial goals over the next few years will make our Company a high performing bank. In 2002, we made good progress towards achieving most of these goals and expect continued improvement as our young franchises--the community banks and our other subsidiaries--grow, mature and integrate. Some highlights include:

- o Our core net interest margin contracted 22 basis points in 2002 versus year ago and 40 basis points from 2000, primarily due to compression of rates, our desire to maintain an asset-sensitive balance sheet, and the nature of community banking. However, we are positioned well for expected future rate increases;

- o Our net overhead ratio, a measure of operating efficiency, improved to 1.41% for the year, compared to 1.59% in 2001;
- o Return on average assets improved to 0.87% for the year, compared to 0.79% for 2001; and
- o Non-performing assets were reduced to 0.34% of total assets at year-end, compared to 0.48% at year-end 2001.

Performance Measurements				
	Our Goal	Year ended 12/31,		
		2002	2001	2000
Core Net Interest Margin (1)	4 - 4.5%	3.51%	3.73%	3.91%
Net Overhead Ratio	1.5 - 2.0%	1.41%	1.59%	2.13%
Return on Average Equity	20 - 25%	14.76%	15.24%	11.51%
Return on Average Assets	1.5%	0.87%	0.79%	0.60%
Earnings per Diluted Common Share		\$1.60	\$1.27	\$0.83
Non-Performing Assets as a Percent of Total Assets		0.34%	0.48%	0.46%

(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 BAR CHART GRAPHIC OMITTED]**

**POSITIONING TO IMPROVE OUR CORE INTEREST MARGIN AND FEE INCOME**

Despite 2002's economic weaknesses and the current low interest rate environment, net interest income totaled \$98.1 million, an increase of 33% compared to 2001. The increase in net interest income was fueled by consistent strong loan growth throughout the year, but dampened by a 22 basis point decline in the core net interest margin for 2002.

During 2001, the Federal Reserve Bank cut short-term interest rates eleven times, resulting in a decrease in short-term rates totaling 475 basis points. In 2002, the Federal Reserve cut rates one additional time, resulting in another 50 basis point drop in short-term borrowing rates. Compression resulted when deposit rates could not be reduced in the same magnitude due to the low rate already paid on certain deposit accounts. However, the Company has positioned its balance sheet to benefit from expected future rising interest rates while mitigating the impact of any further rate cuts.

**[NET OVERHEAD RATIO BAR CHART GRAPHIC OMITTED]**

Non-interest income totaled \$60.7 million in 2002, more than doubling in size over the 2001 level of \$28.8 million. The primary contributor to this increase was the additional fees realized from the asset management and brokerage services of the recently acquired Wayne Hummer Companies. Fees on mortgage loans sold was another major contributor to the increase in non-interest income. One of our strategies is to diversify our revenue sources so we can weather any adverse economic condition that may impact a sector of our operations. With the 2002 improvements in non-interest income, you can plainly see the results of this effort.

**RECOVERY OF A LOSS**

In the first quarter of 2002, as a result of continuing efforts to obtain recovery of a loss recorded in 2000, we were able to secure proceeds of \$1.25 million (in pre-tax dollars) as a partial settlement in the matter. The recovery relates to a loss that we recorded in the third quarter of 2000 where we recognized a one-time charge of \$4.5 million to our pre-tax earnings. The charge was attributable to the discovery of a series of fraudulent loan transactions at the

Company's premium finance subsidiary perpetrated by and isolated to one independent insurance agency. We are pleased with the progress to date and will continue our efforts to seek further recovery.

**[GROWTH IN NON-INTEREST INCOME BAR CHART GRAPHIC OMITTED]**

**ASSET QUALITY--GOOD AND EVER DILIGENT**

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. And despite adding \$538 million of new loans to our balance sheet, our non-performing assets actually decreased in 2002. Non-performing assets totaled \$12.6 million, or 0.34% of total assets, at December 31, 2002, reflecting a decrease from the year ago level of \$13.1 million, or 0.48% of total assets. The level of non-performing assets in the Company's loan portfolio remains low and manageable. However, we continue to be diligent in monitoring of our loans.

While you 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, only a small number of credits comprise the non-performing loan total related to our general banking portfolio. 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 contribute to the low level of problem loans.

**[STOCK PRICE COMPARISON BAR CHART GRAPHIC OMITTED]**

**RAISED \$36.5 MILLION IN NEW CAPITAL**

In mid-June, we announced the closing of an underwritten offering of 1,185,000 shares of common stock at a price of \$28.70 per share. We also granted the underwriters of the offering a 30-day over-allotment option to purchase up to an additional 177,750 shares, which was also exercised. Net proceeds, after commissions and costs, to the Company of approximately \$36.5 million is being used to increase the capital at our existing banks, to pursue growth opportunities (internal, additional de novo locations and possible acquisitions) and for general corporate purposes.

We always consider shareholder value and returns while managing this organization. Accordingly, we take the issuance of additional capital seriously because of the potential dilutive effects of such issuance. Prior to the recent common stock offering, the Company's growth in deposits, loans and assets had fully utilized our existing capital base. We needed to raise the additional capital in order to continue to grow our franchise in a marketplace that still favors our style of personalized service and products.

The additional equity has helped to increase the liquidity of our stock in the marketplace and raised our market capitalization to the \$500 million level. We are very pleased with the results of the offering and pledge to utilize the additional capital in an effective manner.

**A STOCK SPLIT TO IMPROVE LIQUIDITY**

In January 2002 our Board of Directors declared a 3-for-2 stock split of the Company's common stock effected in the form of a 50% stock dividend, paid on March 14, 2002, to shareholders of record as of March 4, 2002. This was our first stock split and was designed to improve the liquidity of the Company's stock.

**AND MORE DIVIDENDS**

In January and July of 2002, our Board of Directors approved semi-annual cash dividends of \$0.06 per share of outstanding common stock. The dividends were paid in February and

August. The annual total of \$0.12 per share was 29% higher than the dividend paid in 2001.

And in January 2003, our Board of Directors approved a semi-annual cash dividend of \$0.08 per common share outstanding. The dividend was paid on February 20, 2003 to shareholders of record as of February 6, 2003. This cash dividend, on an annualized basis, represents a 33% increase over the per share common stock dividends paid during 2002.

Although we have increased the dividend rate every year since we initiated payment of dividends, as a growing company we continue to retain approximately 90% of our earnings to fund future growth and to build our franchise.

[WINTRUST FINANCIAL CORPORATION LOCATIONS MAP GRAPHIC OMITTED]

**OUR COMMUNITY BANKS**

In total we now have 32 banking facilities serving 21 suburban Chicago communities. Here is our updated, and ever growing, list:

Bank/Branch	Initial Opening
1. Lake Forest Bank & Trust (LFB&T)-Main	12/91
2. LFB&T-Lake Forest Drive-Through	4/93
3. LFB&T- Lake Bluff	12/94
4. LFB&T- West Lake Forest	5/95
5. LFB&T- West Lake Forest Drive-Through	4/96
6. LFB&T-Bank Of Highwood-Fort Sheridan	2/00
7. LFB&T-Highland Park Bank & Trust	6/02
8. Hinsdale Bank & Trust (HB&T)-Main	10/93
9. HB&T-Hinsdale Drive-Through	10/95
10. HB&T- Clarendon Hills Bank	7/96
11. HB&T- The Community Bank of Western Springs	11/97
12. HB&T--Riverside Bank	1/02
13. North Shore Community Bank & Trust (NSCB&T)-Wilmette	9/94
14. NSCB&T-Glencoe	10/95
15. NSCB&T-Wilmette Drive-Through	11/95
16. NSCB&T-Winnetka	5/96
17. NSCB&T-Glencoe Drive-Through	3/98
18. NSCB&T-Wilmette 4TH & Linden	4/98
19. NSCB&T-Skokie	9/99
20. Libertyville Bank & Trust (LB&T)-Main	10/95
21. LB&T-Libertyville Drive-Through	10/95
22. LB&T-South Libertyville	10/98
23. LB&T-Wauconda Community Bank-North Drive-Through	5/00
24. LB&T-Wauconda Community Bank-Main	7/00
25. Barrington Bank & Trust (BB&T)-Main	12/96
26. BB&T-Hoffman Estates Community Bank	9/01
27. Crystal Lake Bank & Trust (CLB&T)-Main	12/97
28. CLB&T-Crystal Lake Drive-Through	4/99
29. CLB&T-South Crystal Lake	9/99
30. CLB&T-McHenry Bank & Trust	2/01
31. CLB&T-Cary Bank & Trust	1/03
32. Northbrook Bank & Trust (NB&T)	11/00

Each of our seven community banks posted record levels in assets, deposits, loans and improvements in earnings in 2002. Congratulations to our Wintrust community bankers! In recognition of the outstanding performance of our subsidiary management teams and board members, we wanted to include a short update on their achievements in 2002 and plans for 2003.

**LAKE FOREST BANK & TRUST**

Lake Forest Bank & Trust(R) (LFB&T), which celebrated its 11th anniversary in 2002, reached \$897 million in assets, an increase of \$194 million, or 28%, over 2001, a strong growth rate for the most mature Wintrust community bank. LFB&T generated a 1.77% return on average assets in 2002.

LFB&T operates seven banking facilities in Lake Forest, West Lake Forest, Lake Bluff, Highwood and Highland Park. FDIC data as of June 30, 2002 indicated that LFB&T had the #2 market share in deposits in Lake Forest and was also #2 in Lake Bluff. The Bank of Highwood-Fort Sheridan(R), a branch of LFB&T that we opened in 2000, now has the #1 deposit share in that market. Our newest branch, Highland Park Bank & Trust(R) (HPB&T), is off to a great start, despite opening in a temporary location without a drive-through.

In 2003, we plan to start construction on a new main bank facility with a drive-through facility for HPB&T and a drive through for Lake Bluff. We will also be reconfiguring space at our main bank in downtown Lake Forest and our West Lake Forest facility to handle the expanding Wayne Hummer presence.

[ADVERTISING GRAPHIC OMITTED]

**HINSDALE BANK & TRUST**

Hinsdale Bank & Trust(R) (HB&T), which will be celebrating its 10th anniversary in October 2003, reached \$642 million in assets, an increase of \$129 million from 2001. HB&T operated with an efficient 1.41% net overhead ratio and generated a 1.16% return on average assets in 2002.

HB&T operates five banking facilities in Hinsdale, Clarendon Hills (Clarendon Hills Bank(R)), Western Springs (The Community Bank of Western Springs(R)), and Riverside. Our newest branch, Riverside Bank(TM), opened in January 2002. As of June 30, 2002, FDIC data indicated that HB&T had grown to be the #2 bank in its original market area based on deposits and again won the local newspaper's award for the best bank in the area. HB&T continues to generate additional loans and fee income from their mortgage warehouse and indirect auto operations.

HB&T has one new branch location and a Hinsdale train station ATM location planned in 2003. A full service Wayne Hummer office has been established on the second floor of the main Hinsdale Bank and is now fully staffed with investment, asset management and trust professionals.

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**NORTH SHORE COMMUNITY BANK & TRUST**

North Shore Community Bank & Trust(R) (NSCB&T), which was opened eight years ago, reached \$771 million in assets in 2002, an increase of \$208 million, or 37%, over the prior year. NSCB&T operated with a respectable 1.17% net overhead ratio and generated a 0.82% return on average assets.

NSCB&T operates seven banking facilities in Wilmette, Winnetka, Glencoe, and Skokie. NSCB&T has now grown to be the #1 bank in its initial market area, Wilmette, and #2 in Glencoe according to FDIC data for the 12 months ending June 30, 2002.

In early 2003, we will be opening a new full service facility with a drive-through in southern Skokie. NSCB&T has also purchased property for an eighth branch location.

**LIBERTYVILLE BANK & TRUST**

Libertyville Bank & Trust(R) (LB&T), which opened in October 1995, reached \$479 million in assets in 2002, an increase of \$124 million, or 35%, from 2001. LB&T operated with a 1.16% net overhead ratio, much better than the Wintrust and peer average, and generated a 0.98% return on average assets.

LB&T operates five banking facilities, three located in Libertyville and two in Wauconda (Wauconda Community Bank). In 2002, Wauconda Community Bank(R) moved into our beautiful new permanent facility right across the street from our key big bank competitor. As of June 30, 2002, FDIC data indicated that, based on deposit share, LB&T was the #1 bank in Libertyville and the #2 bank in Wauconda.

LB&T will be completing construction on a new full service facility with drive-through in South Libertyville. We are also in the process of identifying a location and purchasing property for one new branch location in 2003.

**BARRINGTON BANK & TRUST**

Barrington Bank & Trust(R) (BB&T), which was opened six years ago, reached \$447 million in assets in 2002, an increase of \$133 million, or 42%, over a year ago. BB&T operated with a 1.52% net overhead ratio, and generated a 0.77% return on average assets-impressive for a relatively young bank.

BB&T operates two banking facilities, a main bank in Barrington and a branch facility in Hoffman Estates named Hoffman Estates Community Bank(R). As of June 30,

2002, FDIC data indicated that BB&T has grown to be the #2 bank in Barrington based on deposit levels. Community Advantage(R), BB&T's condominium association lending division, continues to establish itself as the market leader in the Chicago metropolitan area.

BB&T is in the process of identifying a new branch location in 2003.

**[ADVERTISING GRAPHIC OMITTED]**

**CRYSTAL LAKE BANK & TRUST**

Crystal Lake Bank & Trust(R) (CLB&T), which has been opened for five years, reached \$297 million in assets in 2002, an increase of \$113 million, or 61%, over 2001. CLB&T operated with a 1.50% net overhead ratio, and generated a 0.49% return on average assets.

**[CARY BANK & TRUST LOGO GRAPHIC OMITTED]**

CLB&T now operates five banking facilities in Crystal Lake, South Crystal Lake, McHenry, and Cary. In 2002, McHenry Bank & Trust(R) moved into their spacious new permanent facility with drive-through service. And Cary Bank & TrustTM, which opened its doors in January 2003, now services the Cary and Fox River Grove markets. By the end of 2002, CLB&T has now grown to be the #2 bank in its primary market according to FDIC data for the 12 months ending June 30, 2002.

**[ADVERTISING GRAPHIC OMITTED]**

Cary Bank & Trust is off to a great start, despite opening in a small temporary facility. A new permanent facility with a drive-through on the same property as our temporary facility is under construction and should be ready for opening in late 2003.

**NORTHBROOK BANK & TRUST**

Northbrook Bank & Trust(TM) (NB&T), which was opened in late 2000, reached \$185 million in assets in 2002 as we celebrated our second birthday, an increase of \$100 million, or 116%, over year ago. This would make NB&T one of the fastest growing Wintrust banks ever. NB&T operated with a 1.58 net overhead ratio, and generated a 0.33% return on average assets--terrific numbers for such a young bank.

NB&T has purchased property for a new branch and is also actively scouting other potential branch locations.

**WAYNE HUMMER . . . WELCOME TO THE FAMILY**

In February 2002, we announced the completion of our acquisition of the Chicago-based Wayne Hummer Investments LLC, Wayne Hummer Management Company and Focused Investments LLC, a third party marketer of financial services to community banks.

As Chicago's oldest brokerage firm continuously operated using the same brand name, Wayne Hummer has seventy-one years of history providing financial services to individuals and institutions. The venerable Wayne Hummer brand name is well respected in Chicago and the Midwest.

**[WAYNE HUMMER LOGO GRAPHIC OMITTED]**

**ONE BRAND NAME, WAYNE HUMMER**

In May, we formally changed the name of our Wintrust Asset Management Company to Wayne Hummer Trust Company (WHTC), thus unifying all of our wealth management services under the Wayne Hummer brand name. Three Wayne Hummer companies will provide this full array of wealth management services:

- o Wayne Hummer Investments, LLC
- o Wayne Hummer Trust Company
- o Wayne Hummer Asset Management Company

**[ADVERTISING GRAPHIC OMITTED]**

We are developing new integrated marketing materials that will bring together our brokerage, trust and asset management services under the Wayne Hummer brand name. And we are designing a new integrated marketing campaign to increase our brand awareness in the Chicago area and to further build Wayne Hummer brand equity.

**TREMENDOUS GROWTH OPPORTUNITY**

The Wayne Hummer transaction is a win-win situation for both companies, and more importantly, for our customers. Wayne Hummer clients will now have access to the banking, trust and expanded asset management services that other Wintrust companies offer.

And as we expand Wayne Hummer distribution to our banks, our bank customers will have access to wealth management services via their hometown bank. We now can provide a full range of wealth management services--including banking, brokerage, trust administration, asset management, and one-stop-shopping for these services at their hometown bank.

This represents a sizeable growth opportunity for us. We have almost 60,000 bank customer households in some of the most affluent markets in the Midwest. Many of these bank customers have significant investment and trust needs, but as of now, less than 1% of those customer households use any of our Wayne Hummer Companies to meet these needs. The cross-selling opportunities for providing wealth management services to our bank customers are tremendous.

We have plans to eventually double the size of Wayne Hummer's sales force and will be adding additional office space to accommodate this change. We are also broadening our product offerings and adding technologically advanced desktop financial solutions for our sales force. At a time when other brokerage firms are retreating, we are going on the offensive. Our ultimate goal is to be the best wealth management firm in the Chicago area.

**UNIQUE UNIFIED SALES AND SERVICE**

Our strategy for selling investment services in our banks is a little different than the strategy used by most banks. We plan to hire experienced outside brokers who have an established customer following and bring them into our banks. For the most part, these would be brokers

who are tired of the big brokerage house routine, who want to work in the same town in which they live, and who want to be part of the fast growing and successful Wintrust team.

These new brokers have established client followings and will be the key customer contact for selling not only our brokerage services, but trust and asset management as well. This creates a fully unified sales and service approach. These new brokers will work along side our current trust and asset management staff and thereby form a full service Wayne Hummer team at each of our banks. For the most part, these teams will reside on the second or third floor of our banks to deliver wealth management services to our clients in a more exclusive environment.

### **NEW SALES AND MARKETING TOOLS**

We will soon be adding Wayne Hummer signage to our community bank doors and free standing Wayne Hummer kiosks in visible locations on the first floor of our banks. These kiosks will be "silent salesmen" for Wayne Hummer and will include logo, products and services offered, name of contact, business cards, broker profiles, seminar announcement, racks for brochures, our Market Letter, and reprints of recent ads and articles.

We are also investing in our downtown Chicago Wayne Hummer office to improve the sales and marketing tools available. On the sales side, broker desktops will be enhanced so that they have state-of-the-art tools available to them and their clients. Offices and workspaces will be added and improved. Wayne Hummer signage on the outside of the 300 S. Wacker Drive building is being investigated. A new phone center is being planned. And a new cash management account will soon be launched.

On the marketing side a new video is in production, as is a Co-op Advertising Tool Kit, a library of PowerPoint presentations, and an upgraded Market Letter. We have hired an outside PR firm to help build our Wayne Hummer brand awareness and brand equity via a national and Chicago media relations program. We are also developing a Chicago area brand advertising campaign for Wayne Hummer.

### **TRUSTED FINANCIAL ADVISORS SINCE 1931**

While there are many new initiatives going on at Wayne Hummer, the key beliefs of its founder will never change. Wayne Hummer's mission is to provide the highest quality financial services to its clients. We know our future success is built on steadfast adherence to our founding principals: the highest ethical standards, secure capital, and a conservative investment philosophy. Wayne Hummer has been a trusted financial advisor to generations of clients and their families. And this will never change.

### **INSURED BANK DEPOSITS**

In June, we kicked off our Insured Bank Deposits<sup>TM</sup> program and to date have "migrated" nearly a quarter-billion dollars from the Wayne Hummer money market mutual funds to FDIC insured deposit accounts at our affiliated banks. This program provides Wintrust with additional low cost funds that can be invested in earning assets at our banks. The additional profitability of this migration is a unique benefit of the Wayne Hummer acquisition. It also gives Wayne Hummer clients access to FDIC insured accounts. And using the deposit insurance provided by our seven Wintrust banks, our clients can obtain FDIC coverage of up to \$700,000.

### **WAYNE HUMMER INVESTMENTS UPDATE**

Although WHI's financial results were constrained by not only the impact of skidding and nervous equity markets but also the costs attendant with our merger, the absolute contribution to Wintrust--inclusive of the Insured Bank Deposits product--was meaningful.

WHI confidently anticipates a return to a constructive stock market in 2003 and building relationships with the many Wintrust bank clients who value the high level of personal service and expertise provided by their hometown bank.

As the oldest Chicago-based brokerage firm still operating under the same name, our challenge is to not merely maintain our clientcentered philosophy, but to enhance and strengthen it during a time of strategic growth. While others are cutting back on their private-client advisers, WHI is focused on growing our points of contact--certainly with introductions to the many Wintrust banking

relationships that exist but also to other investors seeking significant objective and personalized advice and service.

**[ADVERTISING GRAPHIC OMITTED]**

**FOCUSED INVESTMENTS UPDATE**

Focused Investments, a wholly owned subsidiary of WHI, currently provides a full range of investment and financial solutions to clients through a network of community-based financial institutions.

Despite poor market conditions, gross profits for the full-service operation increased by 9% over last year. Focused spent much of the year re-evaluating current customers and future prospects, and will explore new markets and opportunities going forward. The majority of the first quarter of 2003 will concentrate on an aggressive marketing campaign. By "unbundling" the services Focused already provides, we hope to attract a new and expanded client base. We look forward to continued growth for Focused Investments.

**WAYNE HUMMER TRUST COMPANY UPDATE**

Wayne Hummer Trust Company provides asset administration and investment management services for individuals, corporations and charitable institutions. The Trust Company provides Wayne Hummer Investments the ability to offer its clients fiduciary and administrative services that are consistent with the investment services and philosophy they have known for years.

**[ADVERTISING GRAPHIC OMITTED]**

In addition to Wayne Hummer's downtown Chicago location, all these services are delivered through the convenience of local offices located in Wintrust's banks in Lake Forest, Hinsdale, Wilmette, Barrington, and Northbrook. Our Investment Executives and Trust Officers are also available for consultation by appointment at any Wintrust banking location.

**WAYNE HUMMER ASSET MANAGEMENT COMPANY UPDATE**

Through Wayne Hummer Asset Management Company, a registered investment advisor, we provide investment advisory and discretionary asset management services to individual and institutional clients throughout the Midwest.

Together with Wayne Hummer Trust Company, the firms currently administer over \$1.15 billion in client assets. Wayne Hummer Asset Management Company also serves as investment advisor to the Wayne Hummer Funds, a family of mutual funds that includes:

- o Wayne Hummer Growth Fund
- o Wayne Hummer Income Fund
- o Wayne Hummer CorePortfolio Fund
- o Wayne Hummer Money Market Fund

Please consult a Wayne Hummer Investment Executive for more information on how the investment professionals at Wayne Hummer can address your investment management needs or those of your company.

**LAKE FOREST CAPITAL MANAGEMENT . . . ANOTHER NEW MEMBER OUR FAMILY**

In December, we signed an agreement to acquire Lake Forest Capital Management Company (LFCM) based in Lake Forest, Illinois. This merger transaction was completed in early February 2003. LFCM was merged into and is operating as a separate division of Wayne Hummer Asset Management Company.

LFCM is a registered investment advisor with approximately \$300 million in assets under management. They are well-respected asset managers for high net worth individuals, corporations, foundations, endowments and public entities located primarily in the Chicago metropolitan area. LFCM, like Wayne Hummer, delivers its products with a highly personalized approach customized to each client's needs.

The newest member of the family has a terrific history, dedicated and highly experienced management team and outstanding growth and profit potential. Through this acquisition, the Company gained the expertise of three outstanding portfolio managers, who joined the Company as Managing Directors, an equity analyst and an outstanding support staff. All of the Managing Directors of LFCM have signed long-term contracts and have agreed to stay on to provide a seamless transition for their clients and actively participate in the management of our wealth management areas.

**[LAKE FOREST CAPITAL MANAGEMENT PICTURE OMITTED]**

**FIRST INSURANCE FUNDING CORP ... SAVING THE BEST UNTIL LAST**

FIRST Insurance Funding Corp. (FIRST) had a terrific year in 2002. With significant efficiency improvements to its customer service and operations completed, FIRST was again able to stretch its marketing and sales legs in 2002. Increasing loan production 34% to just over \$1.7 billion, FIRST grew its middle market customer base with a series of targeted mailings and significantly grew its book of business in Texas, California and the Southeast. FIRST also continued to pursue agents in its endorsing organizations: The Council of Insurance Agents & Brokers and The Professional Liability Agents Network, while securing new association endorsements from Insurance Marketing & Management Services, Group 500 and The Professional Liability Agents Network.

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Its Agency Services Teams also helped FIRST to grow in 2002. These inside sales teams expanded their ability to properly handle large loans and gave FIRST's clients a single and knowledgeable point of contact, while working with FIRST's Relationship Managers to bring on new agents and gain more business from current customers.

Supporting this growth, FIRST's Credit Committee continued to refine agency approval, underwriting and credit procedures, ensuring that the rates, terms and procedures are appropriate for all agents and insurance companies that work with FIRST.

Even with this growth, FIRST's Asset Management Team reduced total delinquencies to a level well below the industry average.

2002 also saw FIRST's continued commitment to technology and automation with the introduction of on-line quoting and e-mailed statements and reports, as well as expanded database management. Continued customer service improvements and automation coupled with aggressive marketing will allow FIRST to build on its growth, reaching record levels again in 2003.

**TRICOM, INC.**

As 2002 came to a close so did the second year of a stagnant economy and a difficult year in the staffing industry. However, Tricom was able to maintain its net revenue contribution compared to 2001 and contribute more net income than last year.

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Tricom used the year to reposition itself relative to competition, while also improving profitability. In mid-2002, Tricom moved into a new facility. Later in the year, it introduced a new web-based processing system and established a new sales product, WINFUNDS, geared to customers requiring funding without administrative services. Additionally, in the first days of January 2003, Tricom completed an acquisition of a competitor's customer base. Results of this acquisition include a projected increase in net revenue of \$1.0 million, a 12.0% increase for 2003. With the economy slowly recovering, Tricom is off to a great start in 2003.

## **WINTRUST INFORMATION TECHNOLOGY SERVICES**

In early 2002, we created Wintrust Information Technology Services Company (WITS) in Villa Park, Illinois to house the operational end of a number of technology initiatives. Item imaging was the first major initiative for WITS.

### **[WITS LOGO GRAPHIC OMITTED]**

In April 2002, we introduced our new image check service--CheckManager Plus . In place of actual checks in a monthly statement, this new technology provides exact image reproductions of checks for the month neatly printed out on 8.5" x 11" sheets of paper. (By the way, if you haven't signed up for this innovative and convenient service, you should!) Here is what is included in this program:

- o Image reproductions of your checks for the month, organized by check number;
- o Printed out on 8.5" x 11" three-hole punched sheets of paper;
- o A special FREE three-ring binder with yearly tabs for easy storage;
- o Instant on-line customer access to these images, anytime of the day
- o Intranet access of item images for banking personnel; and
- o An optional monthly/annual CD-ROM that conveniently contains all of the check images for that period.

The benefits to the customer are many, including the above noted conveniences and quicker receipt of their monthly statements. And our banks benefit from lowered handling costs, lowered mailing costs, and quicker statement rendering. Unlike many big banks which mandated this change, we marketed CheckManager Plus on an opt-in basis. That is, if customers would like to take advantage of this free service, they'll need to let us know. We don't force a change that might upset some of our customers. As of the year-end, almost 13% of our checking and money market accounts have elected to convert, thus saving significant money for the banks.

Automated statement rendering services of non-enclosure statements were implemented late 2002. This process has taken 24 to 48 hours off the timeline to deliver statements without enclosures to our banking customers.

The above services greatly increased our banks ability to service their customers in a timely and accurate manner. Data that once had to be accessed by leaving a banking workstation, usually with a slight delay, can now be obtained in moments in the presence of the customer.

Image-based lock box operations were implemented at WITS and the Community Advantage lock box business was converted to the new in-house operation. The image-based operation has created a foundation for a more streamlined operation, which will allow us to compete more effectively in the lock box services arena. In 2002, we were processing in excess of 35,000 payments a month and our goal is to increase this volume to over 100,000 payments in 2003.

### **[ADVERTISING GRAPHIC OMITTED]**

## **GROWTH AND EARNINGS STRATEGIES FOR THE FUTURE**

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### **BALANCING GROWTH AND EARNINGS**

We believe that balancing growth and earnings is a key strategy in building long-term shareholder value. While we have historically experienced strong growth by adding new de novo banks and branches, aggressively growing market share in existing bank markets to reach critical mass, and acquiring wealth management services firms, we have balanced that expansion with reasonable growth in earnings as well. We could increase assets faster and hold down earnings growth. Or put the brakes on our growth and ratchet up earnings. However, we believe the current balance between earnings and asset growth is right for our shareholders.

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### **PROVEN STRATEGIES FOR THE FUTURE**

Four primary strategies have been and will continue to fuel Wintrust's above-peer growth and earnings:

1. Development of a base of community banks and branches in a continuous and measured fashion, either on a de novo basis or by acquisition of an existing organization;
2. Acquisition and expanded distribution of wealth management services;
3. Decentralized management structure that allows for local decision making; and
4. Developing asset niches and other income generators to provide aggressive growth.

### **UPSCALE BASE OF COMMUNITY BANKS**

Since 1991 we have launched from scratch seven community banks and 32 total banking facilities. Via aggressive new customer and cross sell marketing programs we have increased our household penetration and market share in these bank markets. We will also continue to add new banks and branches to high opportunity markets, either on a de novo basis or by acquisition, depending on the economics. Clearly, the additional market share garnered by this expansion should add to future earnings growth and increased franchise value.

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### **EXPANDED DISTRIBUTION OF WEALTH MANAGEMENT SERVICES**

Clearly, one major opportunity for us is the expansion of our wealth management services. With our acquisition of the Wayne Hummer Companies and Lake Forest Capital Management, we have significantly increased our capabilities and expertise in this area. The cross sell opportunities as we roll these services out to our community banks and their affluent markets are tremendous. Now we can offer our banking customers a full range of non-bank financial services, including retail brokerage, managed investments, mutual funds, annuities, insurance and a wide array of other financial services products.

We relish the opportunity to take head-on the big multi-national investment firms and position ourselves as the superior, high-touch, local alternative, much like we have done with our community

bank franchises. With Wayne Hummer's history of no investment banking, no market making, no research writing, we only offer our customers what is in their best interest. Combine this with Wayne Hummer's strong company ethics and conservative investing philosophy, and we have a superior solution to those big competitors. We think our customers would rather trust their local community banker and our Wayne Hummer sister companies to handle their personal and business financial affairs, all from the convenience of their hometown bank.

**DECENTRALIZED MANAGEMENT STRUCTURE THAT ALLOWS FOR LOCAL DECISION MAKING** A critical factor in our ability to deliver better banking products and service is our decentralized management structure. A bank can only be real community bank if it has local roots and local decision making. That's what separates them from the big regional or national banks that have one product line that serves all and make decisions on a global level that may not be in the best interest of serving local customers.

Our banks have profit responsibilities and authority to make decisions locally. That means they determine product, pricing, personnel, loan approvals, new locations, etc. The bank management team is essentially running a small bank group and has autonomy as long as they deliver upon their goals.

That local decision making structure results in more customized products, sharper pricing, quicker decisions, more community involvement, and better customer service. And that results in more satisfied customers whose needs are better taken care of by our local bank.

Because we let our management teams really run their banks, we are able to attract and retain the best and most entrepreneurial bankers in the area. Needless to say, we are very proud of our bank management teams and their staffs of committed community bankers.

### **DEVELOPING ASSET NICHEs AND OTHER INCOME GENERATORS**

To bring in additional loan and other income to fuel our aggressive growth strategies, we have developed non-traditional loans in the banking arena and operate a number of non-bank financial services companies. Examples of the above loan generators include:

#### **Banking Asset Niches**

- o Mortgage Warehouse Lending (HB&T)
- o Indirect auto lending (HB&T)
- o Condominium and association lending (Community Advantage-BB&T)
- o Small craft aviation lending (North American Aviation Finance-CLB&T)
- o Medical and municipal leasing (MMF Leasing-LFB&T)

#### **Non-Bank Asset Niches**

- o Commercial premium finance lending (FIRST Insurance Funding)
- o Temporary staffing industry financing (Tricom)

First Insurance Funding, now one of the largest commercial insurance premium finance companies operating in the United States, serves customers throughout the country. Tricom, Inc. of Milwaukee provides short-term accounts receivable financing 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.

These asset niches and other income sources are the "fuel" that helps us continue our aggressive growth. Without compromising credit quality, we believe the typical community bank can only generate loans from local consumers and small businesses that represent about 60% of their lending capacity. That's because in most suburban communities, there are more consumer and small business deposit opportunities than there are loans. Most community banks can't overcome this limitation and are unable to grow beyond a certain size without stretching for credit quality.

At Wintrust, we augment our community banks' loan portfolios with additional earning assets generated by these specialty earning asset niches. This allows us to not only improve the profitability of our community banks by optimizing their earning asset base, but also effectively helps to diversify their loan portfolios. Our ability to grow and compete in the future will continue to be aided by this asset strategy.

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**OUR DRIVE TO BE ASSET DRIVEN**

With our growing earning asset niches, in 2002 we again accomplished our objective of being an "asset driven" organization, that is, we generated more loans than we needed. This is beneficial to the Company for a number of reasons. It allows us:

- o To increase our overall profitability now by providing additional fee income through loan sales. In 2002, we sold approximately \$311 million of excess premium finance receivables to an unrelated financial institution. We anticipate continuing this practice in the future to the extent that excess loans continue to be generated;
- o To increase our overall profitability in the future by generating an interest spread on the additional deposits created by our Insured Bank Deposits program. These additional earning assets will also be profitable sources of future interest income, and to the extent we have the future liquidity, capital and opportunity to absorb these excess loan volumes, we could maintain the excess premium finance receivables on our books at even higher profit levels. These assets are well suited for investment of the funds that we will migrate from the Wayne Hummer and Lake Forest Capital Management money market funds into our Insured Bank Deposits program;
- o To fund more aggressive growth and better defend ourselves against competition. Excess loan volume allows us to immediately invest any new deposit dollars in loans that have higher interest rates than alternative short-term investments. This allows us to be more aggressive in markets where we want to increase market share or defend our turf against a new big bank competitor, because we can generate sufficient higher yielding assets to invest these new deposits; and
- o To diversify our asset mix into various different loan types, thereby reducing any concentration of credit risk.

**ACQUISITIONS MAY PLAY AN IMPORTANT ROLE**

We continue to be approached by other Chicagoland banks who want to partner with us by merging their bank into the Wintrust family. As we have said in the past, 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.

In addition to the Wayne Hummer and Lake Forest Capital Management acquisitions, we continue to look at other managed investments acquisitions that will "bulk up" this important fee generator. We also continue to look to add earning asset niches, either as start-up operations or through acquisition.

The rise in our stock price in 2002 means our "currency" has become more valuable. Therefore, acquisitions become a more viable avenue for future growth and enhanced shareholder value. Your management team and Board of Directors continue to be disciplined with regard to pricing potential acquisitions to be accretive to earnings per share. We will keep evaluating potential acquisitions and will update you on our progress as warranted.

### **TECHNOLOGY INITIATIVES FOR 2003**

Wintrust is a firm believer in investing in technology to improve our services and operating efficiency. To that end, our Wintrust Information Technology Services (WITS) operational facility in Villa Park, Illinois was created to house the operational functions of a number of technology initiatives. Here are our key technology initiatives for 2003:

- o Update bank web sites--improved navigation and format;
- o Introduce improved retail lock box and cash management services;
- o Launch i-businessbanking.com--improved on-line business banking services;
- o Introduce e-mail statements and check images
- o Unify Wayne Hummer web site-one site for all trust and investment needs;
- o Develop and introduce a new Wayne Hummer cash management account;
- o Convert all our trust and asset management organizations to one data processing system;
- o Further refine of our internet branch, TheCDBank.com;
- o Rollout a new telecommunications system for superior customer service; and
- o Develop an internal Intranet for Wintrust employees.

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### **IMPROVED INTERNAL MARKETING CAPABILITIES**

Over the last few years, the Wintrust Marketing Group has implemented a number of systems designed specifically to generate new assets in the most efficient (and quickest) manner possible.

Our Wintrust MCIF (Marketing Customer Information File) system combines all our bank, trust, and investment customer data into one system, thus allowing for extremely sophisticated and in-depth customer analysis. When combined with our Chicago market area non-customer data, it acts as a very powerful tool that allows our staff to cross-sell existing customer households and target non-customer households for acquisition, with pin-point accuracy. As an adjunct to our MCIF system, we have installed integrated mailing equipment and technology to produce direct mail projects internally, thus saving lots of time and money.

One of the things we haven't changed are our "David versus Goliath" approach to taking on the big banks in our advertising. You'll see examples of these ads scattered throughout this report.

### **MORE BIG BANK COMPETITION? BRING 'EM ON**

We have grown our community bank franchises from zero to \$3.7 billion in assets in less than 12 years. We do this with great products and services, aggressive marketing, and by taking market share from

our big bank competitors. Needless to say we are not afraid of competition. In fact, we revel in it.

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In the last year, a number of big banks have announced they are coming to Chicago. In reaction to this, some existing big banks in Chicago are also expanding their locations. This competition is nothing new for us. And we say, bring 'em on!

At Wintrust our competitive nature dictates that no one is going to beat us in our markets. We have worked too hard to build these franchises and will defend our turf with what we call "full contact banking". When these competitors offer introductory products and rates, we will defend our franchises with marketing tactics like our "Beat Any Rate Pledge," superior customer service, and local community involvement. And we will continue to attack the big banks in our marketing and position them as the profits-instead-of-customer-service operations that they really are. The best defense is a good offense.

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**INVESTOR RELATIONS PAYING  
DIVIDENDS**

In 2003 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 which will help us raise capital in a cost effective manner.

## **OUR CUSTOMER-FIRST PHILOSOPHY**

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Community banking, Wintrust style, had its modest beginnings in Lake Forest, Illinois in 1991. It was founded on the principal of always providing superior customer service. We have attached, for your reading pleasure, an employee handbook that captures the essence of our philosophy. We provide these booklets to all current and new employees so that they can appreciate and understand our roots and the importance of providing the best customer service around, bar none.

Here are some excerpts from that booklet:

### **WHAT IS COMMUNITY BANKING?**

It all begins with the customer

It's important that the first group of people to meet and discuss starting our bank were not only professional bankers, but were also long time residents. Their idea for a new bank was not based on profit projections, asset management or bottom lines. It was based, instead, on people's wants and needs.

They knew people wanted a bank where they are known by name and made to feel welcome as soon as they walk in the door; a place where when somebody says, "Can I help you?" they mean it, and where no one ever has to pay a fee for visiting with a teller.

People want the kind of bank that will service them for life - where parents can take their kids to learn about banking and saving, and maybe even meet the bank's president. They want a bank where older kids can get help all the way through college; where all of a family's financial events, from the household checking account to trust and estate planning, will be as important to the bank as they are to the family; where older folks can find security and comfort in specially tailored senior products and services.

People want to keep it local. A bank's management should live nearby, and be involved with community events. The bank should become an important part of the community, help it solve its problems and plan for its future. And, the bank's profits should stay close to home and be used to help local business and community development.

They want their bank to be so efficient and smart and innovative that it can match or do better than any rate or promise its largest competitors would offer.

And finally, people want a bank that is a good neighbor, friendly, helpful and generous.

As it turns out, local residents wanted a community bank like ours. As soon as it opened in 1991, it became one of the fastest growing new banks in Illinois history.

### **GUIDING PRINCIPLES**

Just to make sure future bank directors, management teams, and staff don't forget the kind of bank the founders wanted, we've developed the following six important reminders to keep everybody on track.

#### **OUR PURPOSE**

We will provide families, individuals and businesses with a modern, full-service banking facility that's unique because it's run by local people who are meeting the area's need for a friendly, neighborly, well-run community bank.

#### **OUR CUSTOMER**

We will treat every customer as an important depositor, a stockholder and a good neighbor. They must receive "the best darn customer service around - bar none!"

#### **OUR PRODUCT**

Our basic product is service. We help our customers save, spend, borrow and invest their money safely and wisely. If we are to be successful as a community bank, we must put the welfare of our customers first. It's as simple as that.

#### **OUR COMMUNITY**

We believe that a true community bank should be active in bringing about positive change in the

community. We must be good citizens of our village and encourage all our staff to become involved with local events. And we must, to the extent possible, endeavor to hire employees, contract for services and buy products from our community.

### **OUR STOCKHOLDERS**

Our stockholders are also very important to us. Most of them have invested their trust and their beliefs as well as their money into the idea and future of our banks. The management, directors and staff should always work to justify that investment.

### **OUR EMPLOYEES**

We must work hard to attract the brightest and friendliest employees possible and let them know how critical they are to our success. The best way to attract the kind of employees we want is to offer good pay, job security, generous benefits, advancement potential, a pleasant working environment and the opportunity to be part of a successful team. We encourage our employees to purchase stock so that they can become owners of the bank and share in the profits they help generate.

### **[RATE OUR PERFORMANCE BAR CHART GRAPHIC OMITTED]**

Over the years we continue to execute a "How Are We Doing?" survey where we measure customer satisfaction. In 2002 we conducted the most recent version of this survey, and every Wintrust bank improved their customer service performance versus the previous research wave. And not only has our level of service improved, but it is at a very high level relative to our competition. When we ask our bank customers to rate our "Level of Service" performance compared to other banks, 77% responded "Excellent" and over 96% responded "Excellent" or "Good".

It's interesting that the big banks still don't get this customer service thing. Perhaps that may be one of the reasons we keep taking market share from them.

# CONSOLIDATED FINANCIAL STATEMENTS

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

	DECEMBER 31,	
	2002	2001
<b>ASSETS</b>		
Cash and due from banks	\$ 105,671	71,575
Federal funds sold and securities purchased under resale agreements	151,251	51,955
Interest bearing deposits with banks	4,418	692
Available-for-sale securities, at fair value	547,679	385,350
Trading account securities	5,558	--
Brokerage customer receivables	37,592	--
Mortgage loans held-for-sale	90,446	42,904
Loans, net of unearned income	2,556,086	2,018,479
Less: Allowance for loan losses	18,390	13,686
Net loans	2,537,696	2,004,793
Premises and equipment, net	118,961	99,132
Accrued interest receivable and other assets	95,852	38,936
Goodwill	25,266	9,976
Other intangible assets	1,165	109
Total assets	\$ 3,721,555	2,705,422
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Non-interest bearing	\$ 305,540	254,269
Interest bearing	2,783,584	2,060,367
Total deposits	3,089,124	2,314,636
Notes payable	44,025	46,575
Federal Home Loan Bank advances	140,000	90,000
Subordinated note	25,000	--
Other borrowings	46,708	28,074
Long-term debt - trust preferred securities	50,894	51,050
Accrued interest payable and other liabilities	98,802	33,809
Total liabilities	3,494,553	2,564,144
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, 2002 and 2001	--	--
Common stock, no par value; \$1.00 stated value; 30,000,000 shares authorized; 17,216,270 and 14,531,665 shares issued at December 31, 2002 and 2001, respectively	17,216	14,532
Surplus	153,614	97,956
Common stock warrants	81	99
Retained earnings	56,967	30,995
Accumulated other comprehensive loss	(876)	(2,304)
Total shareholders' equity	227,002	141,278
Total liabilities and shareholders' equity	\$ 3,721,555	2,705,422

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share data)

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
<b>INTEREST INCOME</b>			
Interest and fees on loans	\$ 158,314	149,057	130,910
Interest bearing deposits with banks	45	10	26
Federal funds sold and securities purchased under resale agreements	1,774	5,632	1,627
Securities	19,797	11,756	15,621
Trading account securities	165	-	-
Brokerage customer receivables	2,138	-	-
<b>Total interest income</b>	<b>182,233</b>	<b>166,455</b>	<b>148,184</b>
<b>INTEREST EXPENSE</b>			
Interest on deposits	70,061	83,503	78,670
Interest on Federal Home Loan Bank advances	4,954	942	-
Interest on subordinated note	305	-	-
Interest on notes payable and other borrowings	3,854	2,845	4,371
Interest on long-term debt - trust preferred securities	4,931	5,151	4,143
<b>Total interest expense</b>	<b>84,105</b>	<b>92,441</b>	<b>87,184</b>
<b>NET INTEREST INCOME</b>	<b>98,128</b>	<b>74,014</b>	<b>61,000</b>
Provision for loan losses	10,321	7,900	5,055
<b>Net interest income after provision for loan losses</b>	<b>87,807</b>	<b>66,114</b>	<b>55,945</b>
<b>NON-INTEREST INCOME</b>			
Wealth management fees	25,229	1,996	1,971
Fees on mortgage loans sold	12,259	7,831	2,911
Service charges on deposit accounts	3,121	2,504	1,936
Gain on sale of premium finance receivables	3,374	4,564	3,831
Administrative services revenue	3,501	4,084	4,402
Net available-for-sale securities gains (losses)	107	337	(40)
Fees from covered call options	5,959	4,344	882
Other	7,122	3,138	2,413
<b>Total non-interest income</b>	<b>60,672</b>	<b>28,798</b>	<b>18,306</b>
<b>NON-INTEREST EXPENSE</b>			
Salaries and employee benefits	63,442	35,628	28,119
Equipment expense	7,191	6,297	5,101
Occupancy, net	6,691	4,821	4,252
Data processing	4,161	3,393	2,837
Advertising and marketing	2,302	1,604	1,309
Professional fees	2,801	2,055	1,681
Amortization of goodwill	-	616	644
Amortization of other intangibles	324	69	69
Premium finance defalcation	-	-	4,320
Other	19,072	11,300	9,471
<b>Total non-interest expense</b>	<b>105,984</b>	<b>65,783</b>	<b>57,803</b>
Income before income taxes and cumulative effect of accounting change	42,495	29,129	16,448
Income tax expense	14,620	10,436	5,293
Income before cumulative effect of accounting change	27,875	18,693	11,155
Cumulative effect of change in accounting for derivatives, net of tax of \$161	-	(254)	-
<b>NET INCOME</b>	<b>\$ 27,875</b>	<b>18,439</b>	<b>11,155</b>
<b>BASIC EARNINGS PER SHARE:</b>			
Income before cumulative effect of accounting change	\$ 1.71	1.36	0.85
Cumulative effect of accounting change, net of tax	-	(0.02)	-
<b>Net income per common share - Basic</b>	<b>\$ 1.71</b>	<b>1.34</b>	<b>0.85</b>
<b>DILUTED EARNINGS PER SHARE:</b>			
Income before cumulative effect of accounting change	\$ 1.60	1.29	0.83
Cumulative effect of accounting change, net of tax	-	(0.02)	-
<b>Net income per common share - Diluted</b>	<b>\$ 1.60</b>	<b>1.27</b>	<b>0.83</b>

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	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY
Balance at December 31, 1999		\$ 13,156	78,407	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 363,450 shares of common stock		-	-	-	(3,863)	-	-	(3,863)
Common stock issued for:								
Exercise of stock options		115	763	-	-	-	-	878
Employee stock purchase plan		14	112	-	-	-	-	126
Balance at December 31, 2000		13,285	79,282	100	(3,863)	13,835	(363)	102,276
Comprehensive income:								
Net income	18,439	-	-	-	-	18,439	-	18,439
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(1,378)	-	-	-	-	-	(1,378)	(1,378)
Unrealized losses on derivative instruments	(563)	-	-	-	-	-	(563)	(563)
Comprehensive income	16,498							
Cash dividends declared on common stock		-	-	-	-	(1,279)	-	(1,279)
Common stock issued for:								
New issuance, net of costs		1,125	17,234	-	3,863	-	-	22,222
Exercise of stock options		106	1,190	-	-	-	-	1,296
Employee stock purchase plan		15	239	-	-	-	-	254
Exercise of common stock warrants		1	11	(1)	-	-	-	11
Balance at December 31, 2001		14,532	97,956	99	-	30,995	(2,304)	141,278
COMPREHENSIVE INCOME:								
NET INCOME	27,875	-	-	-	-	27,875	-	27,875
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:								
UNREALIZED GAINS ON SECURITIES, NET OF RECLASSIFICATION ADJUSTMENT	1,994	-	-	-	-	-	1,994	1,994
UNREALIZED LOSSES ON DERIVATIVE INSTRUMENTS	(566)	-	-	-	-	-	(566)	(566)
COMPREHENSIVE INCOME	\$ 29,303							
CASH DIVIDENDS DECLARED ON COMMON STOCK		-	-	-	-	(1,903)	-	(1,903)
PURCHASE OF FRACTIONAL SHARES RESULTING FROM STOCK SPLIT		-	(10)	-	-	-	-	(10)
COMMON STOCK ISSUED FOR:								
NEW ISSUANCE, NET OF COSTS		1,363	35,149	-	-	-	-	36,512
ACQUISITION OF THE WAYNE HUMMER COMPANIES		763	14,237	-	-	-	-	15,000
EXERCISE OF STOCK OPTIONS		492	5,012	-	-	-	-	5,504
EMPLOYEE STOCK PURCHASE PLAN		34	940	-	-	-	-	974
EXERCISE OF COMMON STOCK WARRANTS		28	267	(18)	-	-	-	277
DIRECTOR COMPENSATION PLAN		4	63	-	-	-	-	67
BALANCE AT DECEMBER 31, 2002		\$ 17,216	153,614	81	-	56,967	(876)	227,002

See accompanying notes to consolidated financial statements

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

	YEARS ENDED DECEMBER 31,		
	2002	2001	2000
<b>OPERATING ACTIVITIES:</b>			
Net income	\$ 27,875	18,439	11,155
Adjustments to reconcile net income to net cash (used for) provided by operating activities:			
Cumulative effect of accounting change	-	254	-
Provision for loan losses	10,321	7,900	5,055
Depreciation and amortization	8,611	8,082	6,619
Deferred income tax expense	1,176	1,791	597
Tax benefit from exercises of stock options	2,809	312	151
Net (accretion) amortization of (discount) premium on securities	3,133	(578)	1,775
Originations of mortgage loans held-for-sale	(990,713)	(515,170)	(161,017)
Proceeds from sales of mortgage loans held-for-sale	943,171	482,690	158,716
Gain on sale of premium finance receivables	(3,374)	(4,564)	(3,831)
Purchase of trading securities, net	(747)	-	-
Decrease in brokerage customer receivables, net	25,390	-	-
(Gain) loss on sale of available-for-sale securities	(107)	(337)	40
(Gain) loss on sale of premises and equipment, net	101	(209)	18
Increase in accrued interest receivable and other assets, net	(10,799)	(6,031)	(404)
Increase (decrease) in accrued interest payable and other liabilities, net	42,359	(17,720)	28,120
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>59,206</b>	<b>(25,141)</b>	<b>46,994</b>
<b>INVESTING ACTIVITIES:</b>			
Proceeds from maturities of available-for-sale securities	491,601	484,292	235,275
Proceeds from sales of available-for-sale securities	2,794,029	1,260,838	675,458
Purchases of available-for-sale securities	(3,447,617)	(1,938,546)	(896,922)
Proceeds from sales of premium finance receivables	311,225	244,684	229,277
Acquisition of Wayne Hummer Companies, net of cash acquired	(7,738)	-	-
Net (increase) decrease in interest bearing deposits with banks	(3,434)	(510)	2,365
Net increase in loans	(851,831)	(715,894)	(506,321)
Purchases of Bank Owned Life Insurance	(41,144)	-	-
Purchases of premises and equipment, net	(27,373)	(19,934)	(19,459)
<b>NET CASH USED FOR INVESTING ACTIVITIES</b>	<b>(782,282)</b>	<b>(685,070)</b>	<b>(280,327)</b>
<b>FINANCING ACTIVITIES:</b>			
Increase in deposit accounts	774,488	488,060	362,954
Decrease in other borrowings, net	(29,015)	(15,565)	(16,204)
Increase (decrease) in notes payable, net	(2,550)	19,000	19,225
Proceeds from Federal Home Loan Bank advances	50,000	90,000	-
Proceeds from issuance of subordinated note	25,000	-	-
Proceeds from trust preferred securities offering	-	-	20,000
Issuance of common stock, net of issuance costs	36,512	22,222	-
Common stock issued upon exercise of stock options	2,695	984	727
Common stock issued through employee stock purchase plan	974	254	126
Proceeds from conversion of common stock warrants	277	11	-
Purchases of common stock, including fractional shares from stock split	(10)	-	(3,863)
Dividends paid	(1,903)	(1,279)	(875)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>856,468</b>	<b>603,687</b>	<b>382,090</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>133,392</b>	<b>(106,524)</b>	<b>148,757</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>123,530</b>	<b>230,054</b>	<b>81,297</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 256,922</b>	<b>123,530</b>	<b>230,054</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid during the year for:			
Interest	\$ 83,531	92,802	85,581
Income taxes, net	10,568	8,023	4,241
Acquisition of Wayne Hummer Companies:			
Fair value of assets acquired, including cash and cash equivalents	76,458	-	-
Value ascribed to goodwill and intangible assets	16,670	-	-
Fair value of liabilities assumed	64,514	-	-
<b>NON-CASH INVESTING ACTIVITIES:</b>			
Common stock issued for acquisition of Wayne Hummer Companies	15,000	-	-
Transfer to other real estate owned from loans	756	244	-

See accompanying notes to consolidated financial statements.

## NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

### DESCRIPTION OF THE BUSINESS

Wintrust Financial Corporation ("Wintrust" or "Company") is a financial holding company currently engaged in the business of providing community banking services, wealth management services, commercial insurance premium financing, high-yielding 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 (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 to each of the Wintrust banks through its wholly-owned subsidiary, Wayne Hummer Trust Company, N.A., ("WHTC"), formerly known as Wintrust Asset Management Company, N.A. Wayne Hummer Investments, LLC ("WHI") is a broker-dealer providing a full range of private client and securities brokerage services to clients located primarily in the Midwest and is a wholly-owned subsidiary of North Shore Bank. Focused Investments, LLC ("FI") is a broker-dealer that provides a full range of investment services to individuals through a network of relationships with community-based financial institutions primarily in Illinois. FI is a wholly-owned subsidiary of WHI. Wayne Hummer Asset Management Company ("WHAMC") provides money management services and advisory services to individuals, institutions, municipal and tax-exempt organizations, as well as four proprietary mutual funds, in addition to portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHAMC is a wholly-owned subsidiary of Wintrust. Collectively, WHI, WHAMC and FI are referred to as the "Wayne Hummer Companies" or "WHC". 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 high-yielding 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 the temporary staffing industry with clients located throughout the United States. Wintrust Information Technology Services Company ("WITS") provides information technology support, item capture and statement preparation services to the Wintrust subsidiaries and is a wholly-owned subsidiary of Wintrust.

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** The accounting and reporting policies of Wintrust and its subsidiaries conform to generally accepted accounting principles in the United States and prevailing practices of the banking industry. 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.

#### Principles of Consolidation

The consolidated financial statements of Wintrust include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidated financial statements.

#### Stock Split and Earnings per Share

On January 24, 2002, the Company's Board of Directors declared a 3-for-2 stock split of the Company's common stock, which was effected in the form of a 50% stock dividend. It was paid on March 14, 2002 to shareholders of record as of March 4, 2002. All per-share computations and references to number of shares presented in this report have been restated to reflect the stock split.

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.

#### Business Combinations

Business combinations are accounted for by the purchase method of accounting. Under the purchase method, net assets of the business acquired are

recorded at their estimated fair value as of the date of acquisition with any excess of the cost of the acquisition over the fair value of the net tangible and intangible assets acquired recorded as goodwill. Results of operations of the acquired business are included in the income statement from the effective date of acquisition.

#### 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 with original maturities of three months or less, to be cash equivalents.

#### 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 accumulated 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.

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. Interest and dividends, including amortization of premiums and accretion of discounts, are recognized as interest income when earned. Realized gains and losses for securities classified as available-for-sale are included in non-interest income and are derived using the specific identification method for determining the cost of securities sold.

#### Securities Purchased Under Resale Agreements and Securities Sold Under Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions and are recorded at the amount at which the securities were acquired or sold plus accrued interest. Securities, generally U.S. government and Federal agency securities, pledged as collateral under these financing arrangements cannot be sold by the secured party. The fair value of collateral either received from or provided to a third party is monitored and additional collateral obtained or requested as deemed appropriate.

#### Brokerage Customer Receivables

The Company extends credit to its brokerage customers to finance their purchases of securities on margin. The Company receives income from interest charged on such extensions of credit. Brokerage customer receivables represent amounts due on margin balances. Securities owned by customers are held as collateral for these receivables.

#### Loans and Allowance for Loan Losses

Loans, which include premium finance receivables, Tricom finance receivables and lease financing, 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 to the 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 loan losses is maintained at a level believed adequate by management to cover losses inherent in the portfolio and is based on an assessment of individual problem loans, actual and anticipated loss experience and other pertinent factors. The allowance for loan losses consists of an allocated and unallocated component. The Company reviews potential problem loans on a case-by-case basis to allocate a specific dollar amount of reserves, whereas all other loans are reserved for based on assigned reserve percentages evaluated by loan groupings. The loan groupings utilized by the Company are commercial, commercial real estate, residential real estate, home equity, premium finance receivables, indirect automobile, Tricom finance receivables and consumer. The reserve percentages applied to these loan groups attempt to account for the inherent risk in the portfolio based upon various factors including industry concentration, geographical concentrations, local and national economic indicators, levels of delinquencies, historical loss experience including an analysis of the lack of maturity in the loan portfolio, changes in trends in risk ratings assigned to loans, changes in underwriting standards and other pertinent factors. The unallocated portion of the allowance for loan losses reflects management's estimate of probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors. Management believes the unallocated portion of the allowance for loan losses is necessary due to the imprecision inherent in estimating expected credit losses. The amount of future additions to the allowance for 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.

In estimating potential losses, the Company evaluates loans for impairment in accordance with SFAS 114, "Accounting by Creditors for Impairment of a Loan". 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 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 at the time of sale and included in other assets in the consolidated statements of condition. The total cost of loans sold is allocated between the loan balance and the servicing asset based on their relative fair values. The capitalized value of loan servicing rights is amortized in proportion to, and over the period of, estimated net future servicing revenue. Mortgage servicing rights are carried at the lower of the initial carrying value, adjusted for amortization, or estimated fair value. The carrying values are periodically evaluated for impairment. For purposes of measuring impairment, the servicing rights are stratified into pools based on product type and interest rate. 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 calculated 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

Transfers of premium finance receivables to an unrelated third party are recognized as sales in accordance with SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." The Company recognizes a gain or loss the difference between the proceeds received and the allocated cost basis of the loans. The allocated cost basis of the loans is determined by allocating the Company's initial investment in the loan between the loan and the Company's retained interests, based on their relative fair values. The retained interests include assets for the servicing rights and interest only strip and a liability for the Company's guarantee obligation pursuant to the terms of the sale agreement. The servicing assets and interest only strips

are included in other assets and the liability for the guarantee obligation is included in other liabilities. If actual cash flows are less than estimated, the servicing assets and interest only strips would be impaired and charged to earnings. Loans sold in these transactions have terms of less than twelve months, resulting in minimal prepayment risk. The Company typically makes a clean up call by repurchasing the remaining loans in the pools sold after approximately 10 months from the sale date. Upon repurchase, the loans are recorded in the Company's premium finance receivables portfolio and any remaining balance of the Company's retained interest is recorded as an adjustment to the gain on sale of premium finance receivables.

#### Administrative Services Revenue

Administrative services revenue is recognized as services are performed, in accordance with the accrual method of accounting. These services include providing data processing of payrolls, billing and cash management services, to Tricom's clients in the temporary staffing services industry.

#### Rental Income from Equipment Leases

Rental income from equipment leases owned by the Company is accrued over the period earned and recorded in other non-interest income. Rental income is not accrued on leases where management has determined that the lessees may be unable to meet contractual obligations under the lease agreement, or where payments are 90 days or more delinquent, unless the lease contracts are adequately secured and in the process of collection.

#### 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. Useful lives range from two to ten years for furniture, fixtures and equipment, two to five years for software and computer-related equipment and seven to 50 years for buildings and improvements. Land improvements are amortized over a period of 15 years and leasehold improvements are amortized over the term of the respective lease. Land and antique furnishings and artwork are not subject to depreciation. Expenditures for major additions and improvements are capitalized, and maintenance and repairs are charged to expense as incurred. Internal costs related to the configuration and installation of new software and the modification of existing software that provides additional functionality are capitalized. Equipment owned that is leased to customers under leasing contracts characterized as operating leases is also included in premises and equipment.

#### 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. Other real estate owned is recorded at its estimated fair value less estimated selling costs at the date of transfer, with any excess of the related loan balance over the fair value less expected selling costs charged to the allowance for loan losses. Subsequent changes in value are reported as adjustments to the carrying amount and are recorded in other non-interest expense. Gains and losses upon sale, if any, are also charged to other non-interest expense. At December 31, 2002, and 2001, other real estate owned totaled \$76,000 and \$100,000 respectively.

#### Goodwill and Other Intangible Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired. Other intangible assets represent purchased assets that also lack physical substance but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. On January 1, 2002, the Company adopted SFAS 142, "Goodwill and Other Intangible Assets." Under the provisions of SFAS 142, goodwill is no longer ratably amortized over an estimated life, but rather is tested at least annually for impairment. Intangible assets which have finite lives continue to be amortized over their estimated useful lives and also continue to be subject to impairment testing. All of the Company's other intangible assets have finite lives and are amortized over varying periods not exceeding seven years.

#### Bank-Owned Life Insurance

The Company purchased bank-owned life insurance ("BOLI") on certain executives during the third quarter of 2002. The BOLI balances are included in other assets. These policies are recorded at their cash surrender values, or the amounts that can be realized currently. Adjustments to the cash surrender values are included in non-interest income.

#### Derivative Instruments

The Company enters into derivative transactions principally to protect against the risk of adverse price or interest rate movements on the future cash flows or the value of certain assets and liabilities. The Company is also required to recognize certain contracts and commitments

as derivatives when the characteristics of those contracts and commitments meet the definition of a derivative. Effective January 1, 2001, the Company adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," which requires that all derivative instruments be recorded in the statement of condition at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship.

Derivative instruments designated in a hedge relationship to mitigate exposure to changes in the fair value of an asset or liability attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivative instruments designated in a hedge relationship to mitigate exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. The Company formally documents relationships between derivative instruments and hedged items, as well as its risk-management objective and strategy for undertaking each hedge transaction.

Fair value hedges are accounted for by recording the fair value of the derivative instrument and the fair value related to the risk being hedged of the hedged asset or liability on the statement of condition with corresponding offsets recorded in the income statement. The adjustment to the hedged asset or liability is included in the basis of the hedged item, while the fair value of the derivative is recorded as a freestanding asset or liability. Actual cash receipts or payments and related amounts accrued during the period on derivatives included in a fair value hedge relationship are recorded as adjustments to the interest income or expense recorded on the hedged asset or liability.

Cash flow hedges are accounted for by recording the fair value of the derivative instrument on the statement of condition as either a freestanding asset or liability, with a corresponding offset recorded in other comprehensive income within shareholders' equity, net of deferred taxes. Amounts are reclassified from other comprehensive income to interest expense in the period or periods the hedged forecasted transaction affects earnings.

Under both the fair value and cash flow hedge scenarios, changes in the fair value of derivatives not considered to be highly effective in hedging the change in fair value or the expected cash flows of the hedged item are recognized in earnings as non-interest income or non-interest expense during the period of the change.

Derivative instruments that do not qualify as hedges pursuant to SFAS 133 are reported on the statement of condition at fair value and the changes in fair value are recognized in earnings as non-interest income or non-interest expense, as appropriate, during the period of the change. Periodically, the Company sells 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. These transactions do not qualify as hedges pursuant to SFAS 133, and accordingly, changes in fair values of these contracts, are reported in other non-interest income. There were no call options outstanding as of December 31, 2002 or 2001.

Trust Preferred Securities Offering Costs In connection with the Company's October 1998 and June 2000 offerings 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 15 for further information about the Trust Preferred Securities.

Trust Assets and Assets Under Management 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.

Income tax expense is recorded based on the 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.

### Stock-Based Compensation Plans

The Company follows Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its stock option plans. APB 25 uses the intrinsic value method and provides that compensation expense for employee stock options is generally not recognized if the exercise price of the option equals or exceeds the fair value of the stock on the date of grant. The Company follows the disclosure requirements of SFAS 123, "Accounting for Stock-Based Compensation", rather than the recognition provisions of SFAS 123, as allowed by the statement. Compensation expense for restricted share awards is ratably recognized over the required period of service, usually the restricted period, based on the fair value of the stock on the date of grant.

Had compensation cost for the Company's stock option plan been determined based on the fair value at the date of grant consistent with the recognition method of SFAS 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):

<b>YEAR ENDED DECEMBER 31,</b>			
	2002	2001	2000
-----			
Net income:			
As reported	\$ 27,875	18,439	11,155
Pro forma	26,651	17,742	10,453
Earnings per share - Basic:			
As reported	\$ 1.71	1.34	0.85
Pro forma	1.63	1.29	0.80
Earnings per share - Diluted:			
As reported	\$ 1.60	1.27	0.83
Pro forma	1.53	1.22	0.78
=====			

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used in the option pricing model for options granted in each of the last three years: a dividend yield of 0.5%, 0.6% and 0.7% for 2002, 2001 and 2000, respectively; an expected volatility of 26.1%, 25.7% and 25.6% for 2002, 2001 and 2000, respectively; a risk free rate of return of 4.4%, 4.9% and 6.2% for 2002, 2001 and 2000, respectively; and an expected life of 8.5 years, 6.8 years and 7.3 years, respectively. The per share weighted average fair value of stock options granted during 2002, 2001 and 2000 was \$8.67, \$4.91 and \$4.05, respectively.

The Black-Scholes model is sensitive to changes in the subjective assumptions, which can materially affect the fair value estimates. Employee stock options have characteristics that are significantly different from those of traded options, including vesting provisions and trading limitations, that impact their liquidity. Therefore, existing pricing models, such as the Black-Scholes model, do not necessarily provide a reliable measure of the fair value of employee stock options. As a result, the pro forma amounts indicated above may not be representative of the effects on reported net income for future years.

### Advertising Costs

Advertising costs are expensed in the period in which they are incurred.

### Start-up Costs

Start-up and organizational costs are expensed in the period in which they are incurred.

### Comprehensive Income

Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available-for-sale, net of deferred taxes, and adjustments related to cash flow hedges that are also recognized as separate components of equity.

## (2) RECENT ACCOUNTING PRONOUNCEMENTS

**Accounting for Long-Lived Assets** On January 1, 2002, the Company adopted SFAS 144, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," which addresses how and when to measure impairment on long-lived assets and how to account for long-lived assets that an entity plans to dispose of either through sale, abandonment, exchange, or distribution to owners. The new provisions supersede SFAS 121, which addressed asset impairment, and certain provisions of APB 30 related to reporting the effects of the disposal of a business segment. SFAS 144 requires expected future operating losses from discontinued operations to be recorded in the period in which the losses are incurred rather than the measurement date. Under SFAS 144, more dispositions may qualify for discontinued operations treatment in the income statement. The adoption of SFAS 144 did not have a material impact on the Company's financial position or results of operations.

Acquisitions of Certain Financial Institutions In October 2002, the Financial Accounting Standards Board (FASB) issued SFAS 147, "Acquisitions of Certain Financial Institutions", which provides guidance on the accounting for the acquisition of a financial institution and supersedes the specialized accounting guidance provided in SFAS 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions." SFAS 147 became effective upon issuance and requires companies to cease amortization of unidentified intangible assets associated with certain branch acquisitions and reclassify these assets to goodwill. SFAS 147 also modifies SFAS 144 to include in its scope long-term customer-relationship intangible assets and thus subjects those intangible assets to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions required for other long-lived assets.

While SFAS 147 may affect how future business combinations are accounted for and disclosed in the financial statements, the issuance of the new guidance had no effect on the Company's results of operations, financial position, or liquidity as the Company does not have any assets subject to the specialized accounting guidance provided in SFAS 72 or SFAS 147.

#### Guarantees

In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". This interpretation expands the disclosure to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under a guarantee. FIN 45 clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for the Company as of December 31, 2002, and require disclosure of the nature of the guarantee, the maximum potential amount of future payments that the guarantor could be required to make under the guarantee, and the current amount of the liability, if any, for the guarantor's obligations under the guarantee. The recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. Significant guarantees that have been entered into by the Company are disclosed in Note 20. The Company does not expect the requirements of FIN 45 to have a material impact on results of operations, financial position, or liquidity.

Consolidation of Variable Interest Entities In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities." The objective of this interpretation is to provide guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interest, and results of operations of a VIE need to be included in a company's consolidated financial statements. Because the Company does not have an interest in any VIE's, the Company does not expect the adoption of FIN 46 to have a material impact on its results of operations, financial position, or liquidity.

#### Accounting for Stock Based Compensation

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", which provides guidance on how to transition from the intrinsic value method of accounting for stock based employee compensation under APB 25 to SFAS 123's fair value method of accounting, if a company so elects. The Statement also amends the disclosure provisions of SFAS 123 and APB 25 to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. While SFAS 148 does not amend SFAS 123 to require companies to account for employee stock options using the fair value method, the disclosure provisions of SFAS 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS 123 or the intrinsic value method of APB 25. Although the recognition provisions of SFAS 148 are not applicable to the Company at this time as it continues to account for stock-based compensation using the intrinsic value method, the Company has provided the required disclosures in Note 1.

(3) AVAILABLE-FOR-SALE SECURITIES A summary of the available-for-sale securities portfolio presenting carrying amounts and gross unrealized gains and losses as of December 31, 2002 and 2001 is as follows (in thousands):

	DECEMBER 31, 2002				December 31, 2001			
	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	\$ 34,150	12	(140)	34,022	3,045	3	-	3,048
U.S. Government agencies	139,707	1,045	-	140,752	151,911	295	(21)	152,185
Municipal securities	6,311	156	-	6,467	6,507	179	-	6,686
Corporate notes and other	76,809	160	(1,776)	75,193	26,691	599	(1,395)	25,895
Mortgage-backed securities	270,091	871	-	270,962	184,483	761	(3,819)	181,425
Federal Reserve/FHLB stock and other equity securities	20,221	62	-	20,283	15,384	727	-	16,111
Total available-for-sale securities	\$ 547,289	2,306	(1,916)	547,679	388,021	2,564	(5,235)	385,350

The amortized cost and fair value of securities as of December 31, 2002 and 2001, 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 (in thousands):

	DECEMBER 31, 2002		December 31, 2001	
	AMORTIZED COST	FAIR VALUE	Amortized Cost	Fair Value
Available-for-sale securities:				
Due in one year or less	\$ 87,223	87,184	139,245	139,591
Due in one to five years	56,176	56,264	32,971	32,979
Due in five to ten years	84,399	84,695	3,032	3,181
Due after ten years	29,179	28,291	12,906	12,063
Mortgage-backed securities	270,091	270,962	184,483	181,425
Federal Reserve/FHLB stock and other equity securities	20,221	20,283	15,384	16,111
Total available-for-sale securities	\$ 547,289	547,679	388,021	385,350

In 2002, 2001 and 2000, the Company had gross realized gains on sales of available-for-sale securities of \$604,000, \$524,000 and \$79,000, respectively. During 2002, 2001 and 2000, gross realized losses on sales of available-for-sale securities totaled \$497,000, \$187,000 and \$119,000, respectively. Proceeds from sales of available-for-sale securities during 2002, 2001 and 2000, were \$2.8 billion, \$1.3 billion and \$675.5 million, respectively. At December 31, 2002 and 2001, securities having a carrying value of \$143.2 million and \$116.0 million, respectively, were pledged as collateral for public deposits, trust deposits and securities sold under repurchase agreements.

(4) LOANS A summary of the loan portfolio at December 31, 2002 and 2001 is as follows (in thousands):

	2002	2001
Commercial and commercial real estate	\$ 1,320,598	1,007,580
Home equity	365,521	261,049
Residential real estate	156,213	140,041
Premium finance receivables	461,614	348,163
Indirect auto loans	178,234	184,209
Tricom finance receivables	21,048	18,280
Consumer and other loans	52,858	59,157
Total loans, net of unearned income	\$ 2,556,086	2,018,479

Certain real estate loans, including mortgage loans held-for-sale, and home equity loans with balances totaling approximately \$313.4 million and \$312.8 million, at December 31, 2002 and 2001, respectively, were pledged as collateral to secure the availability of borrowings from certain Federal agency banks. The majority of these pledged loans are included in a blanket pledge of qualifying loans by five of the Banks to the Federal Home Loan Bank (FHLB). At December 31, 2002 and 2001, the Banks borrowed \$140.0 million and \$90.0 million, respectively, from the FHLB in connection with these collateral arrangements. See Note 12 for a summary of these borrowings.

The Company's loan portfolio is generally comprised of loans to consumers and small to medium-sized businesses located within the geographic market areas that the Banks serve. The premium finance and Tricom receivables portfolios are made to customers on a national basis and the indirect auto loans are generated through a network of local automobile dealers. As a result, the Company strives to maintain a loan portfolio that is diverse in terms of loan type, industry, borrower and geographic concentrations. Such diversification reduces the exposure to economic downturns that may occur in different segments of the economy or in different industries.

It is the policy of the Company to review each prospective credit in order to determine the appropriateness and, when required, the adequacy of security or collateral necessary to obtain in making a loan. The type of collateral, when required, will vary in ranges from liquid assets to real estate. The Company seeks to assure access to collateral, in the event of default, through adherence to state lending laws and the Company's credit monitoring procedures.

Certain officers and directors of Wintrust and certain corporations and individuals related to such persons borrowed funds from the Banks. These loans were made at substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other borrowers. A rollforward of these loans, including loans made by the Company to certain executive officers, during 2002 is as follows (in thousands):

Balance at December 31, 2001	\$	8,871
New loans and advances		8,693
Maturities and paydowns		(5,666)
Balance at December 31, 2002	\$	11,898

(5) ALLOWANCE FOR LOAN LOSSES A summary of the activity in the allowance for loan losses for the years ended December 31, 2002, 2001, and 2000 is as follows (in thousands):

<b>YEAR ENDED DECEMBER 31,</b>			
	2002	2001	2000
Allowance at beginning of year	\$ 13,686	10,433	8,783
Provision	10,321	7,900	5,055
Charge-offs	(6,589)	(5,322)	(3,756)
Recoveries	972	675	351
Allowance at end of year	\$ 18,390	13,686	10,433

A summary of non-accrual loans and their impact on interest income and impaired loans and their impact on interest income is as follows (in thousands):

**YEAR ENDED DECEMBER 31,**

	2002	2001	2000
Total non-accrual loans (as of year end)	\$ 6,842	8,967	4,329
Reduction of interest income from non-performing loans	79	91	111
Average balance of impaired loans	767	503	1,212
Interest income recognized on impaired loans	26	9	6

Management evaluates the value of the impaired loans primarily by using the fair value of the collateral. A summary of impaired loan information at December 31, 2002 and 2001 is as follows (in thousands):

	2002	2001
Impaired loans	\$ 983	641
Impaired loans that had allocated specific allowance for loan losses	965	500
Allocated allowance for loan losses	200	347

(6) **MORTGAGE SERVICING RIGHTS** The outstanding principal balance of mortgage loans serviced for others totaled \$239 million at December 31, 2002, \$132 million at December 31, 2001 and \$97 million at December 31, 2000. The following is a summary of the changes in mortgage servicing rights for the years ended December 31, 2002, 2001 and 2000 (in thousands):

**YEAR ENDED DECEMBER 31,**

	2002	2001	2000
Balance at beginning of year	\$ 906	633	648
Servicing rights capitalized	1,727	775	146
Amortization of servicing rights	(872)	(502)	(161)
Valuation allowance	(241)	-	-
Balance at end of year, net	\$ 1,520	906	633

At December 31, 2002, 2001 and 2000, the aggregate fair value of mortgage servicing rights was \$1.5 million, \$950,000 and \$895,000, 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.

Amortization of existing balances of mortgage servicing rights is expected to approximate \$559,000 in 2003, \$331,000 in 2004, \$240,000 in 2005, \$191,000 in 2006 and \$162,000 in 2007.

(7) **GOODWILL AND OTHER INTANGIBLE ASSETS** Upon the adoption of SFAS 142 on January 1, 2002, the Company had unamortized goodwill of \$10.0 million and unamortized identifiable intangible assets of \$109,000, all of which were subject to the transition provisions of SFAS 141 and SFAS 142. As part of its adoption of SFAS 142, the Company performed a transitional impairment test on its goodwill assets, which indicated that no impairment charge was required. In addition, no material reclassifications or adjustments to the useful lives of finite-lived intangible assets were made as a result of adopting the new guidance.

In accordance with SFAS 142, the Company ceased amortizing goodwill effective January 1, 2002. The following table shows the pro forma effects of applying SFAS 142 to the years ending December 31, 2001 and 2000 (in thousands, except per share data).

**YEAR ENDED DECEMBER 31,**

	2002	2001	2000
Net income as reported	\$ 27,875	18,439	11,155
Add back: goodwill amortization	-	616	644
Less: related taxes	-	(208)	(219)
Net income - pro forma	\$ 27,875	18,847	11,580
Earnings per share - Basic			
As reported	\$ 1.71	1.34	0.85
Add back:			
goodwill amortization per share	-	0.03	0.04
Pro forma	\$ 1.71	1.37	0.89
Earnings per share - Diluted			
As reported	\$ 1.60	1.27	0.83
Add back:			
goodwill amortization per share	-	0.03	0.03
Pro forma	\$ 1.60	1.30	0.86

A summary of goodwill by business segment is as follows (in thousands):

	JANUARY 1 2002	GOODWILL ACQUIRED	IMPAIRMENT LOSSES	DEC. 31 2002
Banking	\$ 1,018	-	-	1,018
Premium finance	-	-	-	-
Indirect auto	-	-	-	-
Tricom	8,958	-	-	8,958

Wealth management	-	15,290	-	15,290
Parent and other	-	-	-	-
	-----			
Total	\$ 9,976	15,290	-	25,266
	=====			

Approximately \$17.0 million of the December 31, 2002 balance of goodwill is deductible for tax purposes.

At December 31, 2002 and 2001, the Company had \$1.2 million and \$109,000, respectively, of unamortized finite-lived intangible assets. As a result of the acquisition of WHAMC, \$1.4 million of the purchase price was assigned to the customer list of WHAMC and is being amortized over a seven-year period on an accelerated basis. Total amortization expense associated with intangible assets in 2002, 2001 and 2000, was \$324,000, \$69,000 and \$69,000, respectively. Amortization expense for these finite-lived intangible assets is expected to total \$310,000 in 2003, \$229,000 in 2004, \$202,000 in 2005, \$168,000 in 2006 and \$139,000 in 2007.

(8) BUSINESS COMBINATIONS In February, 2002, Wintrust completed its acquisition of Wayne Hummer Companies. The results of the Wayne Hummer Companies have been included in Wintrust's consolidated financial statements since the effective date (February 1, 2002) of the acquisition.

The acquisition of the Wayne Hummer Companies augments the Company's fee-based revenues and diversifies its revenue stream by adding brokerage services as well as offering traditional banking products to the customers of the Wayne Hummer Companies, thereby providing a more comprehensive menu of financial products and services to the customers of the Banks and the Wayne Hummer Companies.

The aggregate purchase price was \$28.6 million consisting of \$8.6 million in cash, 762,742 shares of Wintrust's common stock (then valued at \$15 million) and \$5.0 million of deferred cash payments to be made over a three-year period subsequent to the closing date. Wintrust is obligated to pay additional consideration contingent upon the attainment of certain performance measures over the next five years. The additional consideration, if any, will be recorded as additional goodwill at its fair value when paid, or when the additional consideration is deemed, beyond a reasonable doubt, to have been earned. The value of Wintrust's common stock issued was determined based on the unweighted average of the high and low sales prices of Wintrust's common stock on the Nasdaq National Market for the 10 trading days ending on the second trading day preceding the effective date of the acquisition. The Company recorded \$15.3 million of goodwill and \$1.4 million of finite-lived intangible assets related to the customer list of WHAMC.

Following is a condensed balance sheet of the Wayne Hummer Companies as of the effective date of acquisition, reflecting the amount assigned to each major asset and liability category (in thousands):

**ASSETS:**

Cash and due from banks	\$	440
Interest bearing deposits with banks		292
Available-for-sale securities, at fair value		304
Trading account securities		4,811
Brokerage customer receivables		62,982
Goodwill		15,290
Other intangible assets		1,380
Other assets		7,629
		-----
Total assets		93,128
		-----
LIABILITIES AND EQUITY:		
Other borrowings		42,648
Other liabilities		21,866
Equity		28,614
		-----
Total liabilities and equity	\$	93,128
		=====

The following pro forma information reflects the Company's results of operations for the periods shown as if the results of the Wayne Hummer Companies were included from the beginning of the periods shown. The "Wintrust as reported" results include the results of the Wayne Hummer Companies since the effective date of the acquisition (in thousands, except for per share data):

**YEAR ENDED**  
**DECEMBER 31,**

	2002	2001
	-----	-----
NET REVENUE:		
Wintrust as reported		
(includes WHC from February 1, 2002)	\$ 158,800	102,812
WHC (results prior to February 1, 2002)	2,919	31,488
	-----	-----
Pro forma net revenue	\$ 161,719	134,300
	-----	-----
INCOME BEFORE TAXES AND		
CUMULATIVE EFFECT OF ACCOUNTING CHANGE:		
Wintrust as reported		
(includes WHC from February 1, 2002)	\$ 42,495	29,129
WHC (results prior to February 1, 2002)	108	1,637
	-----	-----
Pro forma income before taxes and cumulative effect of accounting change	\$ 42,603	30,766
	-----	-----
NET INCOME:		

Wintrust as reported		
(includes WHC from February 1, 2002)	\$ 27,875	18,439
WHC (results prior to February 1, 2002)	70	1,064
	-----	-----
Pro forma net income	\$ 27,945	19,503
	-----	-----
BASIC EPS:		
Wintrust as reported		
(includes WHC from February 1, 2002)	\$ 1.71	1.34
WHC (results prior to February 1, 2002)	(0.01)	-
	-----	-----
Pro forma basic EPS	\$ 1.70	1.34
	-----	-----
DILUTED EPS:		
Wintrust as reported		
(includes WHC from February 1, 2002)	\$ 1.60	1.27
WHC (results prior to February 1, 2002)	(0.01)	-
	-----	-----
Pro forma diluted EPS	\$ 1.59	1.27
	-----	-----

(9) PREMISES AND EQUIPMENT, NET A summary of premises and equipment at December 31, 2002 and 2001 is as follows (in thousands):

	2002	2001
Land	\$ 21,202	16,179
Buildings and leasehold improvements	80,601	64,497
Furniture, equipment and computer software	34,360	28,597
Construction in progress	8,669	8,215
	144,832	117,488
Less: Accumulated depreciation and amortization	27,785	21,495
	117,047	95,993
Equipment under leasing contracts, net of accumulated depreciation	1,914	3,139
Premises and equipment, net	\$ 118,961	99,132

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.

Depreciation and amortization expense related to premises and equipment, excluding equipment under leasing contracts, totaled \$7.3 million and \$6.1 million in 2002 and 2001, respectively. Depreciation expense related to equipment under leasing contracts totaled \$974,000 and \$1.3 million in 2002 and 2001, respectively.

(10) DEPOSITS The following is a summary of deposits at December 31, 2002 and 2001 (in thousands):

	2002	2001
Non-interest bearing accounts	\$ 305,540	254,269
NOW accounts	354,499	286,860
NOW-Brokerage customer deposits	231,700	-
Money market accounts	399,441	335,881
Savings accounts	147,669	132,514
Time certificate of deposits	1,650,275	1,305,112
Total deposits	\$ 3,089,124	2,314,636

The scheduled maturities of time certificate of deposits at December 31, 2002 and 2001 are as follows (in thousands):

	2002	2001
Due in one year	\$ 1,033,840	1,012,626
Due in one to two years	373,047	164,487
Due in two to three years	106,345	99,705
Due in three to four years	43,803	15,544
Due after four years	93,240	12,750
Total time certificate of deposits	\$ 1,650,275	1,305,112

Certificates of deposit in amounts of \$100,000 or more approximated \$818.7 million and \$659.1 million at December 31, 2002 and 2001, respectively.

(11) NOTES PAYABLE A summary of the outstanding balances of notes payable at December 31, 2002 and 2001 is as follows (in thousands):

	2002	2001
Maturity less than one year	\$ 19,025	21,575
Maturity greater than one year	25,000	25,000
Total notes payable	\$ 44,025	46,575

The notes payable balance represents the outstanding balance on a revolving loan agreement ("Agreement") with an unaffiliated bank. At December 31, 2002, the total amount of the Agreement is \$75.0 million, comprised of a \$50.0 million revolving note that matures on May 15, 2003 and a \$25.0 million revolving note that matures on February 27, 2006. Interest is calculated at a floating rate equal to, at the Company's option, either the lender's prime rate or LIBOR plus 140 basis points. At December 31, 2002 and 2001, the interest rates on the notes payable were 2.78% and 3.42% respectively. At December 31, 2002 and 2001, \$25.0 million of notes payable were effectively converted to fixed-rate debt through the use of an interest rate swap. See Notes 1 and 21 for further discussion on derivative instruments.

The Agreement is secured by the stock of all Banks 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. At December 31, 2002, the Company is in compliance with all debt covenants. The Agreement may be utilized, as needed, to provide capital to fund continued growth at the Company's Banks, expand its asset management business, fund possible acquisitions of financial institutions or other finance related companies, purchase treasury stock or for other general corporate matters.

(12) FEDERAL HOME LOAN BANK ADVANCES A summary of the outstanding balances of Federal Home Loan Bank ("FHLB") advances at December 31, 2002 and 2001, is as follows (in thousands):

	2002	2001
4.60% advance due July 2011	\$ 30,000	30,000
3.95% advance due November 2011	35,000	35,000
3.30% advance due November 2011	25,000	25,000
4.17% advance due June 2012	25,000	-
4.79% advance due June 2012	25,000	-
<b>Federal Home Loan Bank advances</b>	<b>\$ 140,000</b>	<b>90,000</b>

The FHLB advances bear fixed rates with varying one-time call dates ranging from July 2004 to June 2007. The Company has an arrangement with the FHLB whereby based on available collateral (residential mortgages), the Company could have borrowed an additional \$20.2 million at December 31, 2002. The weighted-average interest rate on FHLB advances at December 31, 2002, was 4.16%.

(13) SUBORDINATED NOTE In 2002, the Company entered into a \$25.0 million subordinated note agreement with an unaffiliated bank. The note matures on October 29, 2012, requires annual principal payments of \$5.0 million beginning in 2008 and may be redeemed by the Company at any time prior to maturity. The note qualifies as Tier II capital for regulatory purposes. Interest is calculated at a floating rate equal to LIBOR plus 260 basis points. The Company effectively converted the subordinated note to a fixed-rate note through the use of an interest rate swap. See Notes 1 and 21 for further discussion on derivative instruments.

(14) OTHER BORROWINGS The following is a summary of other borrowings at December 31, 2002 and 2001 (in thousands):

	2002	2001
Federal funds purchased	\$ 2,000	11,800
Securities sold under repurchase agreements	24,560	16,274
Wayne Hummer Companies funding	15,148	-
Other	5,000	-
<b>Total other borrowings</b>	<b>\$ 46,708</b>	<b>28,074</b>

As of December 31, 2002 and 2001, the interest rate on federal funds purchased were 1.50% and 1.99%, respectively. Securities sold under repurchase agreements represent sweep accounts in connection with master repurchase agreements at the Banks. Securities are maintained under the Company's control and are pledged for balances of the customers' accounts. Securities underlying these agreements consist of U.S. Government agency, mortgage-backed and corporate securities and are included in the available-for-sale securities portfolio as reflected on Company's Consolidated Statements of Condition. As of December 31, 2002 and 2001, the weighted average interest rates of securities sold under repurchase agreements were 1.06% and 1.54%, respectively.

The Wayne Hummer Companies funding consists of collateralized demand obligations to brokers that are used to finance securities purchased by customers on margin and securities owned by WHI. At December 31, 2002, \$8.8 million of customers' securities and \$4.1 million of the Company's trading securities were pledged on behalf of these borrowings. These borrowings have interest rates approximating the federal funds rate. The weighted average interest rate at December 31, 2002 was 1.70%. Other represents the Company's interest-bearing deferred portion of the purchase price of the Wayne Hummer Companies.

(15) LONG-TERM DEBT - TRUST PREFERRED SECURITIES The Company issued \$51,050,000 of Trust Preferred Securities through two separate issuances by Wintrust Capital Trust I and Wintrust Capital Trust II ("Trusts"). The Trusts issued \$1,579,000 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 Trusts. The Trusts invested the proceeds from the issuances of the Trust Preferred Securities and the common securities in Subordinated Debentures ("Debentures") issued by the Company, with the same maturities and fixed interest rates as the Trust Preferred Securities. The debentures are the sole assets of the Trusts and are eliminated, along with the related income statement effects, in the consolidated financial statements.

A summary of the Company's trust preferred securities at December 31, 2002 and 2001, is as follows (in thousands):

	2002	2001
9.0% trust preferred securities of Wintrust Capital Trust I, due September 30, 2028	\$ 31,050	31,050

Less: adjustment for fair value hedge	(156)	-
	-----	-----
	30,894	31,050
10.5% trust preferred securities of Wintrust Capital Trust II, due June 30, 2030	20,000	20,000
	-----	-----
Total trust preferred securities	\$ 50,894	51,050
	=====	=====

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 the Trusts. 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. Subject to certain limitations, the Company has the right to defer payment of interest on the 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 Debentures at maturity or their earlier redemption. The Debentures are redeemable in whole or in part prior to maturity, at the discretion of the Company if certain conditions are met, and only after the Company has obtained Federal Reserve approval, if then required under applicable guidelines or regulations. The early redemption dates are on or after September 30, 2003 for Wintrust Capital Trust I and June 30, 2005 for Wintrust Capital Trust II.

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

The Company has effectively converted the 9.0%, \$31.05 million, trust-preferred securities to a floating-rate basis with the use of an interest rate swap. The swap qualifies as a fair value hedge, and in accordance with SFAS 133, the carrying value of the trust-preferred securities was adjusted by the change in its fair value since designation as a hedged liability. See Notes 1 and 21 for further discussion on derivative instruments.

(16) MINIMUM LEASE COMMITMENTS The Company occupies certain facilities under operating lease agreements. Gross rental expense related to the Company's premises was \$2.1 million in 2002 and \$1.1 million in 2001 and 2000. The Company also leases certain owned premises and receives rental income from such agreements. Gross rental income related to the Company's buildings totaled \$646,000, \$502,000 and \$486,000, in 2002, 2001 and 2000, respectively. In 2002, 2001 and 2000, the Company also recorded equipment lease income of approximately \$1.2 million, \$1.6 million and \$1.3 million, respectively. Future minimum gross rental payments for office space, future minimum gross rental income, and future minimum equipment lease income as of December 31, 2002 for all noncancelable leases are as follows (in thousands):

	FUTURE MINIMUM GROSS RENTAL PAYMENTS	FUTURE MINIMUM GROSS RENTAL INCOME	FUTURE MINIMUM EQUIPMENT LEASE INCOME
2003	\$ 1,884	437	860
2004	1,786	191	534
2005	1,671	92	216
2006	1,511	87	16
2007	1,312	88	-
2008 and thereafter	56	104	-
Total minimum future amounts	\$ 8,220	999	1,626

(17) INCOME TAXES Income tax expense (benefit) for the years ended December 31, 2002, 2001 and 2000 is summarized as follows (in thousands):

	<u>YEAR ENDED DECEMBER 31,</u>		
	2002	2001	2000
Current income taxes:			
Federal	\$ 13,154	8,492	4,509
State	290	153	187
Total current income taxes	13,444	8,645	4,696
Deferred income taxes:			
Federal	446	1,348	847
State	730	443	(250)
Total deferred income taxes	1,176	1,791	597
Total income tax expense	\$ 14,620	10,436	5,293

The exercise of certain stock options produced tax benefits of \$2.8 million in 2002, \$312,000 in 2001 and \$151,000 in 2000 which were

recorded directly to shareholders' equity.

A reconciliation of the differences between taxes computed using the statutory Federal income tax rate of 35% and actual income tax expense is as follows (in thousands):

<b><u>YEAR ENDED DECEMBER 31,</u></b>			
	2002	2001	2000
Computed "expected" income tax expense	\$ 14,873	10,195	5,757
Increase (decrease) in tax resulting from:			
Tax-exempt interest, net of interest expense disallowance	(475)	(469)	(295)
State taxes, net of federal tax benefit	663	388	( 40)
Income earned on life insurance policies	(291)	-	-
Decrease in valuation allowance for deferred tax assets	-	-	(346)
Other, net	(150)	322	217
Income tax expense	\$ 14,620	10,436	5,293

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2002 and 2001 are as follows (in thousands):

	2002	2001
Deferred tax assets:		
Allowance for loan losses	\$ 7,047	5,310
Net unrealized losses on securities (SFAS 115)	-	930
Net unrealized losses on derivatives (SFAS 133)	609	303
Federal net operating loss carryforward	3,529	4,091
State net operating loss carryforward	148	440
Deferred compensation	1,101	621
Other	127	292
Total gross deferred tax assets	12,561	11,987
Deferred tax liabilities:		
Premises and equipment	3,430	2,067
Deferred loan fees and costs	990	1,119
Capitalized servicing rights	1,056	780
Goodwill and intangible assets	1,013	137
Net unrealized gains on securities (SFAS 115)	137	-
Other	737	368
Total gross deferred tax liabilities	7,363	4,471
Net deferred tax assets	\$ 5,198	7,516

At December 31, 2002, Wintrust had Federal net operating loss carryforwards of \$10.1 million which are available to offset future taxable income. These net operating losses expire in years 2005 through 2010 and are subject to certain statutory limitations. In addition, the Company had state net operating loss carryforwards of \$3.1 million which are available to offset future taxable income and expire in 2011 through 2020.

Management believes that it is more likely than not that the recorded net deferred tax assets will be fully realized and therefore no valuation allowance is necessary. The basis for the conclusion that it is more likely than not that the deferred tax assets will be realized is based on the Company's historical earnings trend, its current level of earnings and prospects for continued growth and profitability.

(18) **EMPLOYEE BENEFIT AND STOCK PLANS** The Wintrust Financial Corporation 1997 Stock Incentive Plan ("the Plan") permits the grant of incentive stock options, nonqualified stock options, rights and restricted stock. The Plan covers substantially all employees of Wintrust. A total of 4,481,038 shares of Common Stock may be granted under the 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 incentive and nonqualified options generally vest ratably over a five-year period and 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 Plan's aggregate stock option activity for 2002, 2001 and 2000 is as follows:

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**WEIGHTED  
COMMON RANGE OF AVERAGE  
SHARES STRIKE PRICES STRIKE PRICE**

Outstanding at				
December 31, 1999	2,568,643	\$ 3.87 -	14.50	\$ 8.77
Granted	206,550	9.21 -	11.92	10.33
Exercised	115,394	3.87 -	9.69	6.30
Forfeited or canceled	149,853	5.17 -	14.50	12.18
		-----		
Outstanding at				
December 31, 2000	2,509,946	3.87 -	14.50	8.81
Granted	279,675	12.63 -	20.65	13.78
Exercised	105,774	5.17 -	12.92	9.30
Forfeited or canceled	46,626	5.17 -	12.92	11.31
		-----		
Outstanding at				
December 31, 2001	2,637,221	3.87 -	20.65	9.26
GRANTED	759,409	18.81 -	30.59	21.80
EXERCISED	492,079	3.87 -	18.00	5.48
FORFEITED OR CANCELED	22,688	5.17 -	20.65	12.16
		-----		
OUTSTANDING AT				
DECEMBER 31, 2002	2,881,863	\$ 5.17 -	30.59	\$ 13.19
		=====		

At December 31, 2002, 2001 and 2000, the weighted-average remaining contractual life of outstanding options was 6.0 years, 5.0 years and 5.6 years, respectively. Additionally, at December 31, 2002, 2001 and 2000, the number of options exercisable was 1,668,709, 1,935,569 and 1,835,887, respectively, and the weighted-average per share exercise price of those options was \$9.50, \$8.16 and \$7.85, respectively. Expiration dates for options outstanding at December 31, 2002 range from December 16, 2003 to December 23, 2012.

The following table presents certain information about the outstanding options and the currently exercisable options as of December 31, 2002:

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	
\$ 5.17 - 7.18	395,904	\$ 5.59	1.55 years		395,904	\$ 5.59	
7.58 - 9.90	492,979	8.90	3.57 years		468,679	8.88	
10.17 - 11.63	449,710	11.04	6.62 years		334,750	11.10	
11.92 - 12.00	458,335	12.00	5.03 years		370,481	12.00	
12.29 - 14.50	287,475	12.71	7.69 years		91,095	12.79	
18.48 - 18.81	510,065	18.80	9.05 years		3,300	18.48	
20.61 - 24.92	112,295	21.11	9.05 years		4,500	20.64	
29.11 - 30.59	175,100	30.53	9.94 years		-	-	
\$ 5.17 - 30.59	2,881,863	\$ 13.19	5.98 years		1,668,709	\$ 9.50	

Holders of Restricted Stock Unit Awards ("restricted stock") are entitled to receive at no cost related shares of the Company's common stock generally over periods of one to three years after the awards are granted. Holders of the restricted stock are not entitled to vote or receive cash dividends (or cash payments equal to the cash dividends) on the underlying common shares until the awards are vested. Except in limited circumstances, these awards are canceled upon termination of employment without any payment of consideration by the Company. In 2002, Restricted Stock Unit Awards, representing the rights to acquire 47,057 shares of common stock, were granted, with a grant-date per share value of \$18.82. As of December 31, 2002, all of these awards remained outstanding. The compensation expense for the restricted stock equals the quoted market price of the related stock at the date of grant and is accrued over the vesting period. The total compensation expense recognized for the restricted stock in 2002 was \$655,000. No restricted stock was granted prior to 2002.

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 the lesser of 10% of their eligible compensation, or \$11,000 in 2002 and \$10,500 in 2001 and 2000. 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 \$790,000, \$246,000 and \$151,000 in 2002, 2001 and 2000, 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 375,000 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 2002, 2001 and 2000, a total of 34,123 shares, 14,454 shares and 13,441 shares, respectively, were issued to participant accounts and approximately \$286,000, \$98,000 and \$23,000, respectively, was recognized as compensation expense. The ninth offering period concludes on March 31, 2003. The Company

plans to continue to periodically offer Common Stock through this SPP subsequent to March 31, 2003.

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

The Wintrust Financial Corporation Directors Deferred Fee and Stock Plan ("DDFS Plan") allows directors of the Company and its subsidiaries to choose payment of directors fees in either cash or common stock of the Company and to defer the receipt of the fees. The DDFS Plan is designed to encourage stock ownership by directors. The Company has reserved 225,000 shares of its authorized Common Stock for the DDFS Plan. All shares offered under the DDFS Plan will be either newly issued shares of the Company or shares issued from treasury. The number of shares issued is determined on a quarterly basis based on the fees earned during the quarter and the fair market value per share of the Common Stock on the last trading day of the preceding quarter. The shares are issued annually and the directors are entitled to dividends and voting rights upon the issuance of the shares. For those directors that elect to defer the receipt of the Common Stock, the Company maintains records of stock units representing an obligation to issue shares of Common Stock. The number of stock units equals the number of shares that would have been issued had the director not elected to defer receipt of the shares. Additional stock units are credited at the time dividends are paid, however no voting rights are associated with the stock units. The shares of Common Stock represented by the stock units are issued in the year specified by the directors in their participation agreements.

(19) 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. No cash dividends were paid to Wintrust by the Banks for the year ended, December 31, 2002. During 2001 and 2000, cash dividends totaling \$13.5 million and \$16.0 million, respectively, were paid to Wintrust by the Banks. As of January 1, 2003, the Banks had approximately \$46.3 million available to be paid as dividends to Wintrust; however, only \$23.0 million was available as dividends from the Banks without reducing their capital below the well-capitalized level.

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, 2002 and 2001, reserve balances of approximately \$23.0 million and \$4.9 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 possibly 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 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).

The Federal Reserve's capital guidelines require bank holding companies to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 Capital to total assets of 3.0% for strong bank holding companies (those rated a composite "1" under the Federal Reserve's rating system). For all other banking holding companies, the minimum ratio of Tier 1 Capital to total assets is 4.0%. In addition the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities. As reflected in the following table, the Company met all minimum capital requirements at December 31, 2002 and 2001:

	2002	2001
Total Capital to Risk Weighted Assets	9.4%	8.5%
Tier 1 Capital to Risk Weighted Assets	8.0	7.7
Tier 1 Leverage Capital to Average Quarterly Assets	7.0	7.1

In connection with the acquisition of the Wayne Hummer Companies, Wintrust became designated as a Financial Holding Company. Bank holding companies approved as financial holding companies may engage in an expanded range of activities, including the businesses conducted by the Wayne Hummer Companies. As a financial holding company, Wintrust's Banks are required to maintain their capital positions at the "well-capitalized" level.

As of December 31, 2002, the most recent notification from the Banks' primary federal regulators, the Banks were categorized as well capitalized under the regulatory framework for prompt corrective action. 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. There are no conditions or events since the most recent notification that management believes would materially affect the Banks' regulatory capital categories.

The Banks' actual capital amounts and ratios as of December 31, 2002 and 2001 are presented in the following table (dollars in thousands):

	DECEMBER 31, 2002				December 31, 2001			
	ACTUAL		TO BE WELL CAPITALIZED BY REGULATORY DEFINITION		Actual		To Be Well Capitalized by Regulatory Definition	
	AMOUNT	RATIO	AMOUNT	RATIO	Amount	Ratio	Amount	Ratio
	-----							
TOTAL CAPITAL (TO RISK WEIGHTED ASSETS):								
Lake Forest	\$ 80,218	11.0%	\$ 73,006	10.0%	\$ 60,219	10.1%	\$ 59,650	10.0%
Hinsdale	54,447	10.7	50,899	10.0	45,374	10.7	42,371	10.0
North Shore	71,121	11.4	62,409	10.0	46,201	10.1	45,928	10.0
Libertyville	43,036	10.4	41,408	10.0	30,732	10.2	30,207	10.0
Barrington	39,859	10.9	36,697	10.0	27,756	10.2	27,166	10.0
Crystal Lake	28,708	12.3	23,310	10.0	16,936	11.5	14,785	10.0
Northbrook	17,093	12.4	13,801	10.0	8,339	13.8	6,032	10.0
-----								
TIER 1 CAPITAL (TO RISK WEIGHTED ASSETS):								
Lake Forest	\$ 75,736	10.4%	\$ 43,803	6.0%	\$ 56,921	9.5%	\$ 35,790	6.0%
Hinsdale	50,736	10.0	30,539	6.0	42,608	10.1	25,422	6.0
North Shore	67,827	10.9	37,446	6.0	43,470	9.5	27,557	6.0
Libertyville	40,432	9.8	24,845	6.0	28,596	9.5	18,124	6.0
Barrington	37,492	10.2	22,018	6.0	26,188	9.6	16,229	6.0
Crystal Lake	27,533	11.8	13,986	6.0	16,130	10.9	8,871	6.0
Northbrook	16,323	11.8	8,281	6.0	7,959	13.2	3,619	6.0
-----								
TIER 1 LEVERAGE CAPITAL (TO AVERAGE QUARTERLY ASSETS):								
Lake Forest	\$ 75,736	8.1%	\$ 46,887	5.0%	\$ 56,921	7.8%	\$ 36,388	5.0%
Hinsdale	50,736	8.1	31,402	5.0	42,608	9.1	23,439	5.0
North Shore	67,827	9.4	35,939	5.0	43,470	8.1	26,967	5.0
Libertyville	40,432	8.4	24,135	5.0	28,596	8.2	17,554	5.0
Barrington	37,492	8.6	21,752	5.0	26,188	8.8	14,895	5.0
Crystal Lake	27,533	9.8	13,992	5.0	16,130	9.2	8,753	5.0
Northbrook	16,323	9.3	8,798	5.0	7,959	10.9	3,642	5.0
=====								

Wayne Hummer Investments, LLC (WHI) and Focused Investments, LLC (FI), as securities broker-dealers, are also subject to various capital rules imposed by the New York Stock Exchange and the Securities and Exchange Commission. At December 31, 2002, WHI had net capital of \$6.2 million, which was \$5.3 million in excess of its required minimum net capital and FI had net capital of \$208,000, which was \$158,000 in excess of its required minimum net capital.

(20) **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, 2002 and 2001 were \$962.5 million and \$683.5 million, respectively. Standby and commercial letters of credit amounts were \$29.4 million and \$25.9 million at December 31, 2002 and 2001, respectively.

In connection with the sale of premium finance receivables, the Company continues to service the receivables and maintains a recourse obligation to the purchasers should the underlying borrowers default on their obligations. The estimated recourse obligation is taken into account in recording the sale, effectively reducing the gain recognized. As of December 31, 2002 and 2001, outstanding premium finance receivables sold to and serviced for third parties for which the Company has a recourse obligation were \$141.1 million and \$107.8 million, 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.

(21) **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. These derivative instruments represent contracts between parties that result in one party delivering cash to the other party based on a notional amount and an underlying rate as specified in the contract. The amount of cash delivered from one party to the other is determined based on the interaction of the notional amount of the contract with the underlying rate. Derivatives could also be implicit in certain contracts and commitments. The derivative financial instruments that are currently being utilized by the Company include interest rate cap and interest rate swap 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.

The Company recognizes all derivative financial instruments at fair value on the Consolidated Statement of Condition, regardless of the purpose or intent for holding the instrument. Derivatives are included in other assets or other liabilities, as appropriate. Changes in the fair value of derivative financial instruments are either recognized in income or in shareholders' equity as a component of comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income in the same period and in the same income statement line as the changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective hedges, are recorded as a component of comprehensive income, net of deferred taxes. Changes in fair values of derivatives not qualifying as hedges are reported in income. Derivative contracts are valued using market values provided by the respective counterparties and are periodically validated by comparison with other third parties.

The Company hedges cash flow variability related to variable-rate funding products, specifically notes payable, subordinated notes and certain deposit products, through the use of pay-fixed interest rate swaps and interest rate caps. The Company also uses receive-fixed interest rate swaps to hedge the fair value of certain fixed rate funding products, specifically its trust-preferred securities.

Summary information related to interest rate derivatives used by the Company for interest-rate risk management and designated as accounting hedges under SFAS 133 at December 31, 2002 and 2001 follows (in thousands):

	DECEMBER 31, 2002			December 31, 2001		
	NOTIONAL AMOUNT	ASSET	LIABILITY	Notional Amount	Asset	Liability
<b>CASH FLOW HEDGES</b>						
Notes Payable:						
Pay-fixed interest rate swap	\$ 25,000	-	1,125	25,000	-	681
Subordinated note:						
Pay-fixed interest rate swap	25,000	-	723	-	-	-
Deposit products:						
Interest rate caps purchased	50,000	-	-	70,000	54	-
<b>Total Cash Flow Hedges</b>	<b>100,000</b>	<b>-</b>	<b>1,848</b>	<b>95,000</b>	<b>54</b>	<b>681</b>
<b>FAIR VALUE HEDGES</b>						
9.0% Trust-preferred securities:						
Callable, receive-fixed interest rate swap	31,050	-	156	-	-	-
<b>Total Fair Value Hedges</b>	<b>31,050</b>	<b>-</b>	<b>156</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total derivatives used for interest rate risk management and designated in SFAS 133 relationships</b>	<b>\$ 131,050</b>	<b>-</b>	<b>2,004</b>	<b>95,000</b>	<b>54</b>	<b>681</b>

All of the interest rate derivatives designated as hedges in SFAS 133 relationships were considered highly effective for the years ending December 31, 2002 and 2001, and none of the changes in fair value of these derivatives was attributed to hedge ineffectiveness.

The estimated amount of the existing losses on derivatives at December 31, 2002 that are expected to be reclassified into earnings within the next twelve months is approximately \$1.2 million.

At December 31, 2002 and 2001, the Company had \$25 million and \$185 million, respectively, of notional principal amounts of interest rate caps that were not designated as hedges pursuant to SFAS 133. The contract outstanding at December 31, 2002 expired on January 1, 2003. There was no value to these interest rate cap contracts as of December 31, 2002 and 2001.

On January 1, 2001, the Company adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." Derivatives owned by the Company on January 1, 2001, were not designated as hedges in accordance with SFAS 133. As a result, the effect of recording the derivatives at fair value upon adoption resulted in a charge of \$254,000 (net of tax) in the Consolidated Statement of Income to reflect the cumulative effect of a change in accounting principle.

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. These covered call options do not qualify as hedges pursuant to SFAS 133, and accordingly, changes in the fair value of these contracts (which over the term of the contract equals the fee received from selling the options) are recognized as other non-interest income. There were no call options outstanding as of December 31, 2002 or 2001.

(22) FAIR VALUE OF FINANCIAL INSTRUMENTS SFAS 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 the Company's financial instruments at December 31, 2002 and 2001 (in thousands):

	AT DECEMBER 31, 2002		At December 31, 2001	
	CARRYING VALUE	FAIR VALUE	Carrying Value	Fair Value
<b>FINANCIAL ASSETS:</b>				
Cash and cash equivalents	\$ 261,340	261,340	124,222	124,222
Available-for-sale securities	547,679	547,679	385,350	385,350
Trading account securities	5,558	5,558	-	-
Brokerage customer receivables	37,592	37,592	-	-
Mortgage loans held-for-sale	90,446	90,446	42,904	42,904
Loans, net of unearned income	2,556,086	2,565,618	2,018,479	2,036,504
Accrued interest receivable	11,536	11,536	10,702	10,702
<b>FINANCIAL LIABILITIES:</b>				
Non-maturity deposits	1,438,849	1,438,849	1,009,524	1,009,524
Deposits with stated maturities	1,650,275	1,673,514	1,305,112	1,318,137
Notes payable	44,025	44,025	46,575	46,575
Federal Home Loan Bank advances	140,000	151,782	90,000	88,819
Subordinated note	25,000	25,000	-	-
Other borrowings	46,708	46,708	28,074	28,074
Long-term debt - trust preferred securities	50,894	55,883	51,050	54,122
Accrued interest payable	4,573	4,573	3,999	3,999
<b>DERIVATIVE CONTRACTS:</b>				
Interest rate cap agreements	-	-	54	54
Interest rate swap contracts	(2,004)	(2,004)	(681)	(681)

**Cash and cash equivalents:** Cash and cash equivalents include cash and demand balances from banks, Federal funds sold and securities purchased under resale agreements and interest bearing deposits with banks. The carrying value of cash and cash equivalents approximates fair value due to the short maturity of those instruments.

**Available-for-sale securities:** The fair values of available-for-sale securities 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.

**Trading account securities:** The fair values of trading account securities 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.

**Brokerage customer receivables:** The carrying value of brokerage customer receivables approximates fair value due to the relatively short period of time to repricing of variable interest rates. The brokerage customer receivables are charged interest rates similar to other such loans made within the industry.

**Mortgage loans held-for-sale:** Fair value is estimated using the prices of existing commitments to sell such loans and /or the quoted market prices for commitments to sell similar loans.

**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 fixed rate residential 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 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, brokerage customer deposits 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.

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.

Federal Home Loan Bank advances: The fair value of Federal Home Loan Bank advances are determined using a discounted cash flow analysis based on current market rates of similar maturity debt securities.

Subordinated note: The carrying value of the subordinated note approximates fair value due to the relatively short period of time to repricing of variable interest rates.

Other borrowings: Carrying value of other borrowings approximates fair value due to the relatively short period of time to maturity or repricing.

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

Interest rate cap and swap agreements: 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. The majority of the Company's commitments contain variable interest rates; thus the carrying value 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 asset management business have not been considered.

(23) SHAREHOLDERS' EQUITY A summary of the Company's common and preferred stock at December 31, 2002 and 2001, is as follows:

	2002	2001
Common Stock:		
Shares authorized	30,000,000	30,000,000
Shares issued	17,216,270	14,531,665
Shares outstanding	17,216,270	14,531,665
Cash dividend per share	\$0.12	\$0.093
Preferred Stock:		
Shares authorized	20,000,000	20,000,000
Shares issued	-	-
Shares outstanding	-	-

The Company reserves shares of its authorized common stock specifically for its Stock Incentive Plan and its Employee Stock Purchase Plan. The reserved shares, and these plans, are detailed in Note 18 - Employee Benefit and Stock Plans.

The Company has designated 100,000 shares of its preferred stock as Junior Serial Preferred Stock A. These shares were designated in

connection with the adoption of a Shareholder Rights Plan in 1998, and are reserved for issuance in the event the Rights become exercisable

under the plan. The Rights could be triggered in certain circumstances related to a person or group acquiring more than 15% of the Company's stock or commencing a tender or exchange offer to acquire 15% or more of the Company's stock without prior approval of the Company's Board of Directors. The Rights are evidenced by the certificates representing shares of Common Stock, are nondetachable and do not trade separately. The Rights will expire in April 2008.

The Company has issued warrants to acquire common stock. The warrants entitle the holders to purchase one share of the Company's common stock at purchase prices ranging from \$9.90 to \$10.00 per share. Warrants outstanding at December 31, 2002 and 2001 were 204,312 and 232,054, respectively. Expiration dates on the remaining outstanding warrants at December 31, 2002 range from December 2003 through November 2005.

In January 2002, the Company's Board of Directors approved a 3-for-2 stock split effected in the form of a 50% stock dividend. It was paid on March 14, 2002 to shareholders of record as of March 4, 2002. All historical share data and per share amounts in this report have been restated to reflect the stock split.

In February 2002, the Company issued 762,742 shares of its common stock in the acquisition of the Wayne Hummer Companies. In addition, in June 2002, the Company issued 1,185,000 of common stock through a public offering and another 177,750 shares in July pursuant to an over-allotment option granted to the underwriters. Net proceeds to the Company, including the over-allotment option, totaled \$36.5 million.

In June 2001, the Company issued 1,488,750 additional shares of its common stock through a public offering, realizing net proceeds of approximately \$22.2 million. The shares issued included the reissuance of 363,450 treasury shares.

At the January 2003 Board of Directors meeting, a semi-annual cash dividend of \$0.08 per share (\$0.16 on an annualized basis) was declared. It was paid on February 20, 2003 to shareholders of record as of February 6, 2003.

The following table summarizes the components of other comprehensive income, including the related income tax effects, for the years ending December 31, 2002, 2001 and 2000 (in thousands):

	2002	2001	2000
Unrealized net gains (losses) on available-for-sale securities	\$ 3,168	(1,747)	2,895
Related tax (expense) benefit	(1,105)	588	(1,013)
Net after tax unrealized gains (losses) on available-for-sale securities	2,063	(1,159)	1,882
Less: reclassification adjustment for net gains (losses) realized in net income during the year	107	337	(40)
Related tax (expense) benefit	(38)	(118)	14
Net after tax reclassification adjustment	69	219	(26)
Net unrealized gains (losses) on available-for-sale securities, net of reclassification adjustment	1,994	(1,378)	1,908
Net unrealized losses on derivatives used as cash flow hedges	(871)	(866)	--
Related tax benefit	305	303	--
Net unrealized losses on derivatives used as cash flow hedges	(566)	(563)	--
Total other comprehensive income (loss)	\$ 1,428	(1,941)	1,908

A rollforward of the change in accumulated other comprehensive income for the years ending December 31, 2002, 2001 and 2000 is as follows (in thousands):

	2002	2001	2000
Accumulated other comprehensive loss at beginning of year	\$ (2,304)	(363)	(2,271)
Other comprehensive income (loss)	1,428	(1,941)	1,908
Accumulated other comprehensive loss at end of year	\$ (876)	(2,304)	(363)

=====  
Accumulated other comprehensive income at December 31, 2002, 2001 and 2000 is comprised of the following components (in thousands):

	2002	2001	2000
Accumulated unrealized gains (losses) on securities available-for-sale	\$ 253	(1,741)	(363)
Accumulated unrealized losses on derivatives used as cash flow hedges	(1,129)	(563)	--
Total accumulated other comprehensive loss at end of year	\$ (876)	(2,304)	(363)

(24) **SEGMENT INFORMATION** The Company's operations consist of five primary segments: banking, premium finance, indirect auto, Tricom and wealth management. 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. Significant portions 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 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 wealth management segment includes WHTC (previously known as Wintrust Asset Management Company), WHAMC, WHI and FI. In addition to offering trust services to existing customers of the Banks, WHTC targets affluent individuals and small to mid-size businesses whose needs command personalized attention by experienced trust and asset management professionals. WHI provides a full-range of investment products and services tailored to meet the specific needs of individual investors, primarily in the Midwest. Additionally, WHAMC is the investment advisory affiliate of WHI and is advisor to the Wayne Hummer family of mutual funds and FI, a NASD broker/dealer, provides a full range of investment services to clients through a network of relationships with community-based financial institutions primarily in Illinois.

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 wealth management 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 Parent and Intersegment Eliminations reflects parent company information and intersegment eliminations.

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

	BANKING	PREMIUM FINANCE	INDIRECT AUTO	TRICOM	WEALTH MANAGEMENT	PARENT & INTERSEGMENT ELIMINATIONS	CONSOLIDATED
2002							
NET INTEREST INCOME	\$ 89,264	34,014	8,008	4,246	4,056	(41,460)	98,128
PROVISION FOR LOAN LOSSES	8,761	3,158	786	40	-	(2,424)	10,321
NON-INTEREST INCOME	25,864	4,623	50	3,501	26,152	482	60,672
NON-INTEREST EXPENSE	62,324	10,761	2,239	5,053	30,730	(5,123)	105,984
INCOME TAX EXPENSE (BENEFIT)	15,329	9,813	1,998	1,081	(192)	(13,409)	14,620
NET INCOME (LOSS)	\$ 28,714	14,905	3,035	1,573	(330)	(20,022)	27,875
TOTAL ASSETS AT END OF PERIOD	\$ 3,645,466	517,359	184,018	34,977	75,354	(735,619)	3,721,555
2001							
Net interest income	\$ 69,937	26,911	6,796	3,936	755	(34,321)	74,014
Provision for loan losses	7,023	3,611	928	88	-	(3,750)	7,900
Non-interest income	18,520	4,520	10	4,084	1,996	(332)	28,798
Non-interest expense (1)	49,059	10,288	2,203	5,813	3,421	(4,586)	66,198
Income tax expense (benefit) (1)	11,528	6,960	1,459	870	(257)	(10,285)	10,275
Net income (loss)	\$ 20,847	10,572	2,216	1,249	(413)	(16,032)	18,439
Total assets at end of period	\$ 2,674,121	375,221	189,912	28,121	5,588	(567,541)	2,705,422
2000							
Net interest income	\$ 57,220	14,824	6,489	3,640	508	(21,681)	61,000
Provision for loan losses	4,833	1,409	1,640	15	-	(2,842)	5,055
Non-interest income	8,627	3,831	2	4,476	1,971	(601)	18,306
Non-interest expense	38,198	12,952	2,205	5,358	3,156	(4,066)	57,803
Income tax expense (benefit)	8,045	1,705	1,050	1,113	(264)	(6,356)	5,293
Net income (loss)	\$ 14,771	2,589	1,596	1,630	(413)	(9,018)	11,155
Total assets at end of period	\$ 2,071,147	360,218	209,813	31,883	5,492	(575,747)	2,102,806

(1) Includes amounts reported on the Consolidated Statements of Income as a cumulative effect of accounting change.

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 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 include adjustments necessary for each category to agree with the related consolidated financial statements. The intersegment elimination amounts 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 in 2000.

(25) CONDENSED PARENT COMPANY FINANCIAL STATEMENTS

**CONDENSED BALANCE SHEETS**

(in thousands):

DECEMBER 31,

	2002	2001
ASSETS		
Cash	\$ 55	232
Other investments	155	1,772
Loans	1,700	1,200
Investment in subsidiaries	350,462	233,637
Other assets	7,837	6,428
Total assets	\$ 360,209	243,269
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other liabilities	\$ 6,710	2,787
Notes payable	44,025	46,575
Subordinated note	25,000	-
Other borrowings	5,000	-
Long-term debt - trust preferred securities	52,472	52,629
Shareholders' equity	227,002	141,278
Total liabilities and shareholders' equity	\$ 360,209	243,269

**CONDENSED STATEMENTS OF INCOME**

(in thousands):

YEAR ENDED DECEMBER 31,

	2002	2001	2000
INCOME			
Dividends from subsidiaries	\$ -	13,500	16,000
Other income	829	284	101
Total income	829	13,784	16,101
EXPENSES			
Interest expense	7,836	7,082	5,297
Salaries and employee benefits	1,271	692	641
Amortization of goodwill	-	104	104
Other expenses	1,756	1,723	1,382
Total expenses	10,863	9,601	7,424
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	(10,034)	4,183	8,677
Income tax benefit	(3,642)	(3,515)	(2,841)
Income (loss) before equity in undistributed net income of subsidiaries	(6,392)	7,698	11,518
Equity in undistributed net income (loss) of subsidiaries	34,267	10,741	(363)
NET INCOME	\$ 27,875	18,439	11,155

CONDENSED STATEMENTS OF CASH FLOWS

(in thousands):

YEAR ENDED DECEMBER 31,

2002 2001 2000

OPERATING ACTIVITIES:			
Net income	\$ 27,875	18,439	11,155
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	185	398	338
Deferred income tax expense (benefit)	251	(135)	(337)
Tax benefit from exercises of stock options	2,809	312	151
Increase in other assets	(1,863)	(2,971)	(1,286)
Increase in other liabilities	4,422	1,345	401
Equity in undistributed net (income) loss of subsidiaries	(34,267)	(10,741)	363
Net cash provided by (used for) operating activities	(588)	6,647	10,785
INVESTING ACTIVITIES:			
Capital contributions to subsidiaries	(60,035)	(48,150)	(44,169)
Other investing activity, net	(549)	231	(2,532)
Net cash used for investing activities	(60,584)	(47,919)	(46,701)
FINANCING ACTIVITIES:			
Increase (decrease) in notes payable, net	(2,550)	19,000	19,225
Proceeds from issuance of subordinated note	25,000	-	-
Proceeds from trust preferred securities offering	-	-	20,619
Common stock issuance, net	36,512	22,222	-
Common stock issued upon exercise of stock options	2,695	984	727
Common stock issued through employee stock purchase plan	974	254	126
Proceeds from conversion of common stock warrants	277	11	-
Dividends paid	(1,903)	(1,279)	(875)
Purchases of common stock	(10)	-	(3,863)
Net cash provided by financing activities	60,995	41,192	35,959
Net increase (decrease) in cash	(177)	(80)	43
Cash at beginning of year	232	312	269
Cash at end of year	\$ 55	232	312

(26) EARNINGS PER SHARE The following table sets forth the computation of basic and diluted earnings per common share for 2002, 2001 and 2000 (in thousands, except per share data):

		2002	2001	2000
Net income	(A)	\$ 27,875	18,439	11,155
Average common shares outstanding	(B)	16,334	13,734	13,066
Effect of dilutive common shares		1,111	811	345
Weighted average common shares and effect of dilutive common shares	(C)	17,445	14,545	13,411
Net income per common share - Basic	(A/B)	\$ 1.71	1.34	0.85
Net income per common share - Diluted	(A/C)	\$ 1.60	1.27	0.83

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

(27) QUARTERLY FINANCIAL SUMMARY (UNAUDITED) The following is a summary of quarterly financial information for the years ended December 31, 2002 and 2001 (in thousands, except per share data):

	2002 QUARTERS				2001 Quarters			
	FIRST	SECOND	THIRD	FOURTH	First	Second	Third	Fourth
Interest income	\$ 41,971	44,538	47,545	48,179	41,782	41,390	42,529	40,754
Interest expense	19,803	20,121	22,130	22,051	24,506	23,375	23,399	21,161
Net interest income	22,168	24,417	25,415	26,128	17,276	18,015	19,130	19,593
Provision for loan losses	2,348	2,483	2,504	2,986	1,638	2,264	2,100	1,898
Net interest income after provision for loan losses	19,820	21,934	22,911	23,142	15,638	15,751	17,030	17,695
Non-interest income, excluding net securities gains (losses)	12,967	13,709	15,761	18,128	6,564	7,305	7,158	7,434
Net securities gains (losses)	(215)	62	196	64	286	86	(57)	22
Non-interest expense	22,679	25,906	27,944	29,455	15,971	16,282	16,339	17,191
Income before income taxes	9,893	9,799	10,924	11,879	6,517	6,860	7,792	7,960
Income tax expense	3,531	3,492	3,640	3,957	2,359	2,497	2,784	2,796
Cumulative effect of a change in accounting for derivatives, net of tax	-	-	-	-	(254)	-	-	-
Net income	\$ 6,362	6,307	7,284	7,922	3,904	4,363	5,008	5,164
Net income per common share:								
Basic	\$ 0.42	0.40	0.43	0.46	0.30	0.34	0.34	0.36
Diluted	\$ 0.40	0.37	0.40	0.43	0.29	0.32	0.33	0.33
Cash dividends declared per common share	\$ 0.06	-	0.06	-	0.047	-	0.047	-

(28) SUBSEQUENT EVENTS On February 4, 2003, Wintrust completed its previously announced acquisition of Lake Forest Capital Management Company. Lake Forest Capital Management Company, based in Lake Forest, Illinois, is a 21-year old well-respected asset manager with approximately \$300 million in assets under management. Clients include high net worth individuals, corporations, foundations, endowments and public entities. Lake Forest Capital Management is a registered investment advisor and delivers its products and services with a highly personalized approach customized to client needs. Lake Forest Capital Management will retain its name and has been merged into and will operate as a separate division of WHAMC, Wintrust's existing asset management subsidiary.

The acquisition of Lake Forest Capital Management Company will further expand our wealth management business in the Chicago metropolitan area.

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, 2002 and 2001, and the related consolidated statements of income, shareholders' equity, and cash flows for the three years in the period ended December 31, 2002. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the financial statements, in 2002 the Company changed its method of accounting for goodwill.

*/s/ Ernst & Young LLP*

*Chicago, Illinois  
March 7, 2003*

## 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, 2002. 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 key measures of profitability and balance sheet growth continued to show improvement in 2002, as evidenced by the following table (dollars in thousands, except per share data):

	YEAR ENDED DECEMBER 31,		% OR BASIS POINT
	2002	2001	(BP) CHANGE
Net income	\$ 27,875	\$ 18,439	51%
Net income per common share - Diluted	\$1.60	\$1.27	26%
Net revenues	\$ 158,800	\$ 102,812	54%
Net interest income	\$ 98,128	\$ 74,014	33%
Net interest margin	3.34%	3.49%	(15) bp
Core net interest margin (1)	3.51%	3.73%	(22) bp
Net overhead ratio (2)	1.41%	1.59%	(18) bp
Return on average assets	0.87%	0.79%	8 bp
Return on average equity	14.76%	15.24%	(48) bp
At end of period:			
Total assets	\$ 3,721,555	\$ 2,705,422	38%
Total loans, net of unearned income	\$ 2,556,086	\$ 2,018,479	27%
Total deposits	\$ 3,089,124	\$ 2,314,636	33%
Book value per common share	\$ 13.19	\$ 9.72	36%
Market price per common share	\$ 31.32	\$ 20.38	54%

(1) Core net interest margin excludes interest expense associated with Wintrust's Long-term Debt - Trust Preferred Securities.

(2) 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.

Wintrust's net income increased 51% in 2002, after increasing 65% in 2001 over 2000. On a per share basis, net income per diluted common share increased 26% in 2002, after increasing 53% in 2001. The lower growth rates in the earnings per share in 2002 and 2001, as compared to net income, were due to the issuances of approximately 1.4 million shares of common stock in 2002 and 1.5 million shares in 2001 from additional stock offerings as well as the issuance of 762,742 shares in February 2002 in connection with acquisition of the Wayne Hummer Companies.

On January 24, 2002, the Company's Board of Directors approved a 3-for-2 stock split of the Company's common stock which was effected in the form of a 50% stock dividend. All historical share data and per share amounts included in this report have been restated to reflect the stock split.

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.

### SUMMARY OF CRITICAL ACCOUNTING POLICIES

The Company's Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the United States and prevailing practices of the banking industry. Application of these principles requires management to make estimates, assumptions, and judgments that affect the amounts reported in the financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the financial statements; accordingly, as this information changes, the financial statements could reflect different estimates, assumptions, and judgments. Certain policies and accounting principles inherently have a greater reliance on the use of estimates, assumptions and judgments and as such have a greater possibility of producing results that could be materially different than originally reported. Estimates, assumptions and judgments are necessary when assets and liabilities are required to be recorded at fair value, when a decline in the value of an asset not carried on the financial statements at fair value warrants an impairment write-down or

valuation reserve to be established, or when an asset or liability needs to be recorded contingent upon a future event. Carrying assets and liabilities at fair value inherently results in more financial statement volatility. The fair values and the information used to record valuation adjustments for certain assets and liabilities are based either on quoted market prices or are provided by other third-party sources, when available. When third party information is not available, valuation adjustments are estimated in good faith by management primarily through the use of internal cash flow modeling techniques.

A summary of the Company's significant accounting policies is presented in Note 1 to the Consolidated Financial Statements. These policies, along with the disclosures presented in the other financial statement notes and in this Management's Discussion and Analysis section, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Management has identified the determination of the allowance for loan losses and the valuation of the retained interest in the premium finance receivables sold as the accounting areas that require the most subjective and complex judgments, and as such could be the most subject to revision as new information becomes available.

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows in impaired loans, estimated losses on pools of homogeneous loans based on historical loss experience, and consideration of current economic trends and conditions, all of which are susceptible to significant change. The loan portfolio also represents the largest asset type on the consolidated balance sheet. Management has established credit committees at each of the Banks that evaluate the credit quality of the loan portfolio and the level of the adequacy of the allowance for loan losses. See Note 1 to the Consolidated Financial Statements and the section titled "Credit Risk and Asset Quality" later in this report for a description of the methodology used to determine the allowance for loan losses.

The gains on the sale of premium finance receivables are determined based on management's estimates of the underlying future cash flows of the loans sold. Cash flow projections are used to allocate the Company's initial investment in a loan between the loan, the servicing asset and the Company's retained interest, including its guarantee obligation, based on their relative fair values. Gains or losses are recognized for the difference between the proceeds received and the cost basis allocated to the loan. The Company's retained interest includes a servicing asset, an interest only strip and a guarantee obligation pursuant to the terms of the sale agreement. The estimates of future cash flows from the underlying loans incorporate assumptions for prepayments, late payments and other factors. The Company's guarantee obligation is estimated based on the historical loss experience and credit risk factors of the loans. If actual cash flows from the underlying loans are less than originally anticipated, the Company's retained interest may be impaired, and such impairment would be recorded as a charge to earnings. Because the terms of the loans sold are less than ten months, the estimation of the cash flows is inherently easier to monitor than if the assets had longer durations, such as mortgage loans. See Note 1 to the Consolidated Financial Statements and the section titled "Non-interest Income" later in this report for further analysis of the gains on sale of premium finance receivables.

## **OVERVIEW AND STRATEGY**

Wintrust is a financial holding company, providing traditional community banking services as well as a full array of wealth management services. Wintrust's bank subsidiaries were organized within the last eleven 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. The historical financial performance of the Company has been affected by costs associated with growing market share in deposits and loans, establishing new banks and 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 its operating subsidiaries, as they mature, offset by the costs of opening new banks and branch facilities. The Company's experience has been that it generally takes 13-24 months for new banking offices to first achieve operational profitability.

While committed to a continuing growth strategy, management's ongoing focus is also to balance further asset growth with earnings growth by seeking to more fully leverage the existing capacity within each of the Banks and non-bank subsidiaries. One aspect of this strategy is to continue to pursue specialized lending or earning asset niches in order to maintain the mix of earning assets in higher-yielding loans as well as diversify the loan portfolio. 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.

Wintrust also provides a full range of wealth management services through its trust, asset management and broker-dealer subsidiaries. Wintrust is committed to growing this segment of its business, as evidenced by its acquisition of the Wayne Hummer Companies in February 2002 and Lake Forest Capital Management in early 2003.

## DE NOVO BANK FORMATION AND BRANCH OPENING ACTIVITY

The Company has developed its community banking franchise through the formation of seven banks as well as opening branch offices of the Banks. As of December 31, 2002, the Company had 31 banking facilities. One additional branch office was opened in January 2003, and construction of several other offices is currently underway. The following table illustrates the progression of bank and branch openings that have contributed to the Company's growth and results of operations since inception. The opening of a new bank subsidiary is noted in bold.

MONTH	YEAR	BANK	LOCATION	TYPE OF FACILITY
January	2003	Crystal Lake Bank	Cary, Illinois (9)	Branch
July	2002	Crystal Lake Bank	McHenry, Illinois (5)	New permanent facility
June	2002	Libertyville Bank	Wauconda, Illinois (4)	New permanent facility
June	2002	Lake Forest Bank	Highland Park, Illinois (8)	Branch
January	2002	Hinsdale Bank	Riverside, Illinois (7)	Branch
December	2001	Northbrook Bank	Northbrook, Illinois	New permanent facility
September	2001	Barrington Bank	Hoffman Estates (6)	Branch
February	2001	Crystal Lake Bank	McHenry, Illinois (5)	Branch
NOVEMBER	2000	NORTHBROOK BANK	NORTHBROOK, ILLINOIS	BANK
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
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.
- (6) Operates in this location as Hoffman Estates Community Bank, a branch of Barrington Bank.
- (7) Operates in this location as Riverside Bank, a branch of Hinsdale Bank.
- (8) Operates in this location as Highland Park Bank & Trust, a branch of Lake Forest Bank.
- (9) Operates in this location as Cary Bank & Trust, a branch of Crystal Lake Bank.

## **EARNING ASSET, WEALTH MANAGEMENT AND OTHER BUSINESS NICHES**

As previously mentioned, the Company continues to pursue specialized earning asset and business niches in order to maximize the Company's revenue stream as well as diversify its loan portfolio. A summary of the Company's more significant earning asset niches and non-bank operating subsidiaries follows.

On February 20, 2002, the Company completed its acquisition of the Wayne Hummer Companies, comprising Wayne Hummer Investments LLC ("WHI"), Wayne Hummer Management Company (subsequently renamed Wayne Hummer Asset Management Company "WHAMC") and Focused Investments LLC ("FI"), each based in the Chicago area.

WHI, a registered broker-dealer, provides a full-range of investment products and services tailored to meet the specific needs of individual investors throughout the country, primarily in the Midwest. Although headquartered in Chicago, WHI also operates an office in Appleton, Wisconsin that opened in 1936 and serves the greater Appleton area. As of December 31, 2002, WHI established branch locations in offices at Lake Forest Bank and Hinsdale Bank. It is the Company's intent to continue to open WHI branches at each of the Banks. WHI is a member of the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers, and has approximately \$4.0 billion in client assets at December 31, 2002.

WHAMC, a registered investment advisor, is the investment advisory affiliate of WHI and is advisor to the Wayne Hummer family of mutual funds, which includes the Wayne Hummer Growth Fund, the Wayne Hummer Core Portfolio Fund, the Wayne Hummer Income Fund, and the Wayne Hummer Money Market Fund. WHAMC also provides money management services and advisory services to individuals and institutional, municipal and tax-exempt organizations. WHAMC also provides portfolio management and financial supervision for a wide-range of pension and profit sharing plans. At December 31, 2002, individual accounts managed by WHAMC totaled approximately \$384 million while the four managed mutual funds had approximately \$324 million in total assets.

FI, a NASD member broker/dealer, is a wholly-owned subsidiary of WHI and provides a full range of investment services to clients through a network of relationships with community-based financial institutions primarily in Illinois.

To further expand the Company's wealth management business in the Chicago metropolitan area, on February 4, 2003, the Company acquired Lake Forest Capital Management Company, a registered investment advisor with approximately \$300 million of assets under management as of December 31, 2002.

In September 1998, the Company formed a trust subsidiary originally named Wintrust Asset Management Company, which was renamed in May 2002 to Wayne Hummer Trust Company ("WHTC") to expand the trust and investment management services that were previously provided through the trust department of 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 the Banks. In addition to offering these services to existing bank customers at each of the Banks, the Company believes WHTC can successfully compete for trust business by targeting small to mid-size businesses and affluent individuals whose needs command the personalized attention offered by WHTC's experienced trust professionals. Services offered by WHTC typically include traditional trust products and services, as well as investment management services. Assets under administration by WHTC as of December 31, 2002 were approximately \$445 million.

FIFC is the Company's most significant specialized earning asset niche, originating approximately \$1.7 billion in loan (premium finance receivables) volume during 2002. FIFC makes loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. The loans are originated by FIFC working through independent medium and large insurance agents and brokers located throughout the United States. The insurance premiums financed are primarily for commercial customers' purchases of liability, property and casualty and other commercial insurance. This lending involves relatively rapid turnover of the loan portfolio and high volume of loan originations. Because of the indirect nature of this lending and because the borrowers are located nationwide, this segment may be more susceptible to third party fraud. The majority of these loans are purchased by the Banks in order to more fully utilize their lending capacity. These loans generally provide the Banks higher yields than alternative investments. However, as a result of continued growth in origination volume in 2002, FIFC sold approximately \$311 million, or 18%, of the receivables generated during the year to an unrelated third party with servicing retained. The Company began selling the excess of FIFC's originations over

the capacity to retain such loans within the Banks' loan portfolios during 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; however, future sales of these receivables depends on the level of new volume growth in relation to the capacity to retain such loans within the Banks' loan portfolios. See Consolidated Results of Operations for further information on these loan sales.

In October 1999, the Company acquired Tricom as part of its continuing strategy to pursue specialized earning asset niches. Tricom is a Milwaukee-based company that has been in business for more than ten years and specializes in providing high-yielding, 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's clients, located throughout the United States, provide staffing services to businesses in diversified industries. These receivables may involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral. The principal sources of repayments on the receivables are payments received by the borrowers from their customers who are located throughout the United States. The Company mitigates this risk by employing lockboxes and other cash management techniques to protect its interests. 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, Tricom has contributed to higher fee-based income. During 2002, Tricom processed payrolls with associated client billings of approximately \$245 million and generated approximately \$7.7 million of net revenues.

In addition to the earning asset niches provided by the Company's non-bank subsidiaries, several earning asset niches operate within the Banks, including indirect auto lending which is conducted through a division of Hinsdale Bank, Lake Forest Bank's equipment leasing division and Barrington Bank's Community Advantage program that provides lending, deposit and cash management services to condominium, homeowner and community associations. In addition, Hinsdale Bank operates a mortgage warehouse lending program that provides loan and deposit services to mortgage brokerage companies located predominantly in the Chicago metropolitan area and Crystal Lake Bank has recently developed a specialty in small aircraft lending. The Company continues to pursue the development or acquisition of other specialty lending businesses that generate assets suitable for bank investment and/or secondary market sales.

#### **CONSOLIDATED RESULTS OF OPERATIONS**

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. The Company's premium finance company, FIFC, began limited operations in 1991 as a start-up company. The Company's trust subsidiary, WHTC, began operations in September 1998. Previously, the Company's Lake Forest Bank operated a trust department on a much smaller scale than WHTC. Tricom started operations as a new company in 1989 and was acquired by the Company in 1999. In February 2002, Wintrust acquired the Wayne Hummer Companies, expanding and diversifying its revenue streams with asset management and brokerage fees. 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 franchise from three banks with five offices in 1994 to seven banks with 31 offices at the end of 2002. FIFC has matured from its limited operations in 1991 to a company that generated, on a national basis, \$1.7 billion in premium finance receivables in 2002. In addition, WHTC has been building a team of experienced trust professionals who are located within the banking offices of five 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.

## **EARNINGS SUMMARY**

Net income for the year ended December 31, 2002 totaled \$27.9 million, or \$1.60 per diluted common share, compared to \$18.4 million, or \$1.27 per diluted share, in 2001, and \$11.2 million, or \$0.83 per diluted share in 2000. During 2002, net income increased 51% while earnings per diluted common share increased 26%, and during 2001, net income increased 65% while earnings per diluted common share increased 53%. The lower growth rates in the earnings per share in 2002 and 2001, as compared to net income, were due to the issuances of approximately 1.4 million shares of common stock in 2002 and 1.5 million shares in 2001 from additional stock offerings as well as the issuance of 762,742 shares in February 2002 in connection with acquisition of the Wayne Hummer Companies. Return on average equity was 14.76% in 2002, 15.24% in 2001 and 11.51% in 2000.

## **NET INTEREST INCOME**

The primary source of the Company's revenue is net interest income. Net interest income is the difference between interest income and fees on earning assets, such as loans and securities, and interest expense on the liabilities to fund those assets, including interest bearing deposits and other borrowings. The amount of net interest income is affected by both changes in the level of interest rates and the amount and composition of earning assets and interest bearing liabilities. In order to compare the tax-exempt asset yields to taxable yields, interest income in the following discussion and tables is adjusted to tax-equivalent yields based on the marginal corporate Federal tax rate of 35%.

Tax-equivalent net interest income in 2002 totaled \$99.0 million, up from \$74.9 million in 2001 and \$61.6 million in 2000, representing increases of \$24.2 million, or 32%, in 2002 and \$13.3 million, or 22%, in 2001. These increases were primarily attributable to increases in average earning assets, offset in part by lower yields and rates. The table on page 61, titled "Changes in Interest Income and Expense" presents the dollar amount of changes in interest income and expense, by major category, attributable to changes in the volume of the balance sheet category and changes in the rate earned or paid with respect to that category of assets or liabilities, for 2002 and 2001. Average earning assets increased \$818.2 million, or 38%, in 2002 and \$467.0 million, or 28%, in 2001. Loans are the most significant component of the earning asset base as they earn interest at a higher rate than the other earning assets. Average loans increased \$568.4 million, or 32%, in 2002 and \$370.2 million, or 26%, in 2001. Total average loans as a percentage of total average earning assets were 79.4%, 83.2% and 84.3% in 2002, 2001, and 2000, respectively. The average yield on loans was 6.75% in 2002, 8.39% in 2001 and 9.28% in 2000, reflecting decreases of 164 basis points in 2002 and 89 basis points in 2001. These decreases reflect the sustained decreases in overall market rates experienced during 2002 and 2001. Similarly, the average rate paid on interest bearing deposits, the largest component of the Company's interest bearing liabilities, was 2.92% in 2002, 4.55% in 2001 and 5.43% in 2000, representing decreases of 163 basis points in 2002 and 88 basis points in 2001. Net interest margin, which reflects net interest income as a percent of average earning assets, was 3.34% in 2002, 3.49% in 2001 and 3.66% in 2000. The decreases in the net interest margin in 2002 and 2001 were due to the Company's asset sensitive balance sheet and continued decreases in short-term rates throughout 2002 and 2001 causing compression in the spread between the yields earned on interest earning assets and the rates paid on interest bearing liabilities. During 2002 and 2001, the Federal Reserve Bank cut short-term interest rates twelve times, resulting in a decrease in short-term rates totaling 50 basis points in 2002 and 475 basis points in 2001 and the lowest rate environment in recent history. Compression resulted when deposit rates could not be reduced in the same magnitude as decreases in short term market rates due to the low level of the rate paid on certain deposit accounts. The core net interest margin, which excludes the impact of the Company's Trust Preferred Securities, was 3.51% in 2002, 3.73% in 2001 and 3.91% in 2000.

## **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, 2002, 2001 and 2000. The yields and costs include loan origination fees and certain direct origination costs that 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 the 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).

	YEAR ENDED DECEMBER 31,								
	2002			2001			2000		
	AVERAGE BALANCE(1)	INTEREST	AVERAGE YIELD/ RATE	Average Balance(1)	Interest	Average Yield/ Rate	Average Balance(1)	Interest	Average Yield/ Rate
<b>ASSETS</b>									
Interest bearing deposits with banks	\$ 2,212	\$ 45	2.03%	\$ 385	\$ 10	2.60%	\$ 439	\$ 26	5.92%
Securities (2)	447,183	20,006	4.47	223,280	11,821	5.29	237,025	15,669	6.61
Federal funds sold and securities purchased under resale agreements	106,466	1,774	1.67	136,778	5,632	4.12	26,202	1,627	6.21
Other earning assets (3)	54,327	2,303	4.24	-	-	-	-	-	-
Loans, net of unearned income (2) (4)	2,355,020	158,999	6.75	1,786,596	149,850	8.39	1,416,419	131,428	9.28
<b>Total earning assets</b>	<b>2,965,208</b>	<b>183,127</b>	<b>6.18</b>	<b>2,147,039</b>	<b>167,313</b>	<b>7.79</b>	<b>1,680,085</b>	<b>148,750</b>	<b>8.85</b>
Cash and due from banks	58,479			49,536			49,893		
Allowance for loan losses	(16,090)			(12,202)			(9,929)		
Premises and equipment, net	110,513			91,590			80,778		
Other assets	94,357			52,069			52,755		
<b>Total assets</b>	<b>\$3,212,467</b>			<b>\$2,328,032</b>			<b>\$1,853,582</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>									
<b>Deposits - interest bearing:</b>									
NOW accounts	\$ 405,198	\$ 5,108	1.26%	\$ 205,306	\$ 4,790	2.33%	\$ 152,731	\$ 5,248	3.44%
Savings and money market accounts	505,478	7,710	1.53	411,929	12,387	3.01	351,095	15,313	4.36
Time deposits	1,486,715	57,243	3.85	1,219,584	66,326	5.44	946,011	58,109	6.14
<b>Total interest bearing deposits</b>	<b>2,397,391</b>	<b>70,061</b>	<b>2.92</b>	<b>1,836,819</b>	<b>83,503</b>	<b>4.55</b>	<b>1,449,837</b>	<b>78,670</b>	<b>5.43</b>
Federal Home Loan Bank advances	119,041	4,954	4.16	21,945	942	4.29	-	-	-
Notes payable and other borrowings	127,244	3,854	3.03	53,649	2,845	5.30	74,893	4,371	5.84
Subordinated note	4,384	305	6.86	-	-	-	-	-	-
Long-term debt - trust preferred securities	51,050	4,931	9.66	51,050	5,151	10.09	41,990	4,143	9.87
<b>Total interest-bearing liabilities</b>	<b>2,699,110</b>	<b>84,105</b>	<b>3.12</b>	<b>1,963,463</b>	<b>92,441</b>	<b>4.71</b>	<b>1,566,720</b>	<b>87,184</b>	<b>5.56</b>
Non-interest bearing deposits	262,888			206,267			166,050		
Other liabilities	61,620			37,307			23,894		
Shareholders' equity	188,849			120,995			96,918		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,212,467</b>			<b>\$ 2,328,032</b>			<b>\$1,853,582</b>		
Interest rate spread (5)			3.06%			3.08%			3.29%
Net free funds/contribution (6)	\$ 266,098		0.28%	\$ 183,576		0.41%	\$ 113,365		0.37%
Net interest income/Net interest margin		\$ 99,022	3.34%		\$ 74,872	3.49%		\$ 61,566	3.66%
Core net interest margin (7)			3.51%			3.73%			3.91%

(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%. This total adjustment reflected in the above table is \$894, \$858 and \$566 in 2002, 2001 and 2000, respectively.

(3) Other earning assets include brokerage customer receivables and trading account securities.

(4) Loans, net of unearned income includes mortgages held for sale and non-accrual loans.

(5) Interest rate spread is the difference between the yield earned on total earning assets and the rate paid on total interest bearing liabilities.

(6) Net free funds are the difference between total average earning assets and total average interest bearing liabilities. The contribution is based on the rate paid for total interest bearing liabilities.

(7) The core net interest margin excludes the interest expense associated with Wintrust's Long-term Debt - Trust Preferred Securities.

The Company uses interest rate swaps and interest rate caps to manage exposure to changes in interest rates. The cash flows generated by derivative instruments deemed to be effective hedges are included in interest income or expense of the hedged item and consequently affect the yields on those assets and liabilities. In addition, for fair value hedges, the carrying amounts of the hedged items are adjusted as a result of changes in the fair value of the derivatives, which also affects the yields on those items. During 2002 and 2001, the Company had interest rate swaps that affected the yields on various funding sources. See Notes 1 and 21 of the Consolidated Financial Statements for further discussion of the Company's derivative instruments and the accounting policies for derivatives.

## 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 for the periods indicated (in thousands):

	YEAR ENDED DECEMBER 31,					
	2002 COMPARED TO 2001			2001 Compared to 2000		
	CHANGE DUE TO RATE	CHANGE DUE TO VOLUME	TOTAL CHANGE	Change Due to Rate	Change Due to Volume	Total Change
<b>INTEREST INCOME:</b>						
Interest bearing deposits with banks	\$ (2)	37	35	(13)	(3)	(16)
Securities	(2,076)	10,261	8,185	(2,982)	(866)	(3,848)
Federal funds sold and securities purchased under resale agreements	(2,810)	(1,048)	(3,858)	(719)	4,724	4,005
Other earning assets	-	2,303	2,303	-	-	-
Loans	(32,817)	41,966	9,149	(13,498)	31,920	18,422
<b>Total interest income</b>	<b>(37,705)</b>	<b>53,519</b>	<b>15,814</b>	<b>(17,212)</b>	<b>35,775</b>	<b>18,563</b>
<b>INTEREST EXPENSE:</b>						
Deposits - interest bearing:						
NOW accounts	(2,884)	3,202	318	(1,972)	1,514	(458)
Savings and money market deposits	(7,052)	2,375	(4,677)	(5,277)	2,351	(2,926)
Time deposits	(21,806)	12,723	(9,083)	(7,176)	15,393	8,217
<b>Total interest expense--deposits</b>	<b>(31,742)</b>	<b>18,300</b>	<b>(13,442)</b>	<b>(14,425)</b>	<b>19,258</b>	<b>4,833</b>
Federal Home Loan Bank advances	(30)	4,042	4,012	-	942	942
Notes payable and other borrowings	(1,616)	2,625	1,009	(375)	(1,151)	(1,526)
Subordinated note	-	305	305	-	-	-
Long-term debt - trust preferred securities	(220)	-	(220)	94	914	1,008
<b>Total interest expense</b>	<b>(33,608)</b>	<b>25,272</b>	<b>(8,336)</b>	<b>(14,706)</b>	<b>19,963</b>	<b>5,257</b>
<b>NET INTEREST INCOME</b>	<b>\$ (4,097)</b>	<b>28,247</b>	<b>24,150</b>	<b>(2,506)</b>	<b>15,812</b>	<b>13,306</b>

The changes in net interest income are created by changes in both interest rates and volumes. 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.

## PROVISION FOR LOAN LOSSES

The provision for loan losses totaled \$10.3 million in 2002, \$7.9 million in 2001 and \$5.1 million in 2000. Net charge-offs totaled \$5.6 million in 2002, \$4.6 million in 2001 and \$3.4 million in 2000. The allowance for loan losses as a percentage of loans at December 31, 2002, 2001 and 2000, was 0.72%, 0.68% and 0.67%, respectively. Non-performing loans were \$12.5 million and \$13.0 million at December 31, 2002 and 2001, respectively. While management believes the allowance for loan losses is adequate to provide for losses inherent in the portfolio, there can be no assurances that losses will not exceed the amounts provided for, thereby affecting future results of operations. The amount of future additions to the allowance for 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. Please refer to the "Credit Risk and Asset Quality" section of this report for further discussion of the Company's loan loss experience and non-performing assets.

## NON-INTEREST INCOME

Non-interest income totaled \$60.7 million in 2002, and increased \$31.9 million, or 111%, from the \$28.8 million reported in 2001. In 2001, non-interest income increased \$10.5 million, or 57%, from the \$18.3 million reported in 2000. The most significant factor affecting the increase in non-interest income in 2002, was the fee income generated as a result of the acquisition of the Wayne Hummer Companies in February 2002. The following table presents non-interest income by category for 2002, 2001 and 2000 (in thousands).

	YEAR ENDED DECEMBER 31,			2002 COMPARED TO 2001		2001 compared to 2000	
	2002	2001	2000	\$ CHANGE	% CHANGE	\$ Change	% Change
Trust and asset management fees	\$ 6,356	1,996	1,971	\$ 4,360	218.4%	\$ 25	1.3%
Brokerage fees	18,873	-	-	18,873	N/M	-	N/M
Total wealth management fees	25,229	1,996	1,971	23,233	1164.0	25	1.3
Fees on mortgage loans sold	12,259	7,831	2,911	4,428	56.5	4,920	169.0
Service charges on deposit accounts	3,121	2,504	1,936	617	24.6	568	29.3
Gain on sale of premium finance receivables	3,374	4,564	3,831	(1,190)	(26.1)	733	19.1
Administrative services revenue	3,501	4,084	4,402	(583)	(14.3)	(318)	(7.2)
Fees from covered call options	5,959	4,344	882	1,615	37.2	3,462	392.5
Net available-for-sale securities gains (losses)	107	337	(40)	(230)	(68.2)	377	N/M
Premium finance defalcation- partial settlement	1,250	-	-	1,250	N/M	-	N/M
Other	5,872	3,138	2,413	2,734	87.1	725	30.0
Total non-interest income	\$ 60,672	28,798	18,306	\$ 31,874	110.7%	\$ 10,492	57.3%

N/M - not meaningful

The wealth management segment accounted for the majority of the increase in non-interest income in 2002. Wealth management fees represent the revenue streams generated by Wayne Hummer Trust Company ("WHTC"), formerly known as Wintrust Asset Management Company, Wayne Hummer Asset Management Company ("WHAMC"), Wayne Hummer Investments ("WHI") and Focused Investments, LLC ("FI"). With the acquisition of the Wayne Hummer Companies in February 2002, the Company diversified and enhanced its revenue stream to include brokerage and investment advisory fees. The brokerage fees from WHI include brokerage commissions, trading commissions and insurance product commissions. Trust and asset management fees represent WHAMC's fees for advisory services to individuals and institutions, municipal and tax-exempt organizations, including the management of the Wayne Hummer Mutual Funds as well as trust fees which include fees earned on assets under management, custody fees and other trust related fees generated by WHTC. The recent equity market declines and weaker economic conditions have negatively impacted the wealth management fees. Lower valuations of the equity securities under management affect the fees earned thereon and lower trading volumes affect brokerage fees. Wintrust is committed to growing the trust and investment business in order to better service its customers and create a more diversified revenue stream. In February 2003, Wintrust acquired Lake Forest Capital Management Company, which will further augment the Company's wealth management fee income.

Fees on mortgage loans sold include income from originating and selling residential real estate loans into the secondary market. These fees totaled \$12.3 million in 2002, \$7.8 million in 2001 and \$2.9 million in 2000, reflecting increases of \$4.4 million, or 57%, in 2002, and \$4.9 million, or 169%, in 2001. The revenue growth in fees on mortgage loans sold in both 2002 and 2001 reflects a strong mortgage origination and refinance market driven by the historically low interest rate environment. Although these fees are a continuous source of revenue, management anticipates that the levels of refinancing activity may taper off in 2003, barring any further reductions in mortgage interest rates, which would result in a lower level of fees from this revenue source.

Service charges on deposit accounts totaled \$3.1 million in 2002, \$2.5 million in 2001 and \$1.9 million in 2000. These increases of 25% in 2002, and 29% in 2001, were due mainly to increases in total deposits of 33% in 2002 and 27% in 2001. The majority of deposit service charges relates to customary fees on overdrawn accounts and returned items. The level of service charges received is substantially below peer group levels as management believes in the philosophy of providing high quality service without encumbering that service with numerous activity charges.

As a result of continued strong loan originations of premium finance receivables, Wintrust sold premium finance receivables to an unrelated third party in each of the last three years and recognized gains totaling \$3.4 million in 2002, \$4.6 million in 2001 and \$3.8 million in 2000, related to this activity. Loans sold totaled \$311 million in 2002, \$245 million in 2001 and \$225 million in 2000, in each year representing approximately 20% of FIFC's total originations.

FIFC continues to service the loans sold, and recognizes its retained interest in the loans sold which consists of a servicing asset, interest only strip and a recourse obligation, upon each sale. Recognized gains as well as the Company's retained interests in these loans are based on the Company's projection of cash flows that will be generated from the loans. The cash flow model incorporates the amounts FIFC is contractually entitled to receive from the customer, including an estimate of late fees, the amounts due to the purchaser of the loans, commissions paid to insurance agents as well as estimates of the term of the loans and credit losses. Significant differences in actual cash flows and the projected cash flows can cause impairment to the servicing asset and interest only strip as well as the recourse obligation. The Company monitors the cash flows of these loans on a "static pool" basis. These loans have relatively short maturities (less than 12 months) and prepayments are not highly correlated to movements in interest rates. Due to the short-term nature of these loans, the Company believes that the book value of the servicing asset approximates fair value.

During 2002, the Company capitalized and amortized \$2.7 million in servicing assets related to sale of these loans. As of December 31, 2002, the Company's retained interest in the loans sold included a servicing asset of \$1.2 million, an interest only strip of \$2.2 million and a liability for its recourse obligation of \$807,000. There was no valuation allowance for impairment of the retained interests at December 31, 2002. The Company typically makes a clean up call by repurchasing the remaining loans in the pools sold after approximately 10 months from the sale date. Upon repurchase, the loans are recorded in the Company's premium finance receivables portfolio and any remaining balance of the Company's retained interest is recorded as an adjustment to the gain on sale of premium finance receivables.

Recognized gains as a percent of loans sold during the year were 1.1% in 2002, 1.9% in 2001 and 1.7% in 2000. Gains are significantly dependent on the spread between the net yield on the loans sold and the rate passed on to the purchaser. The net yield on the loans sold and the rates passed on to the purchaser typically do not react in a parallel fashion, therefore causing the spreads to vary from period to period. The lower amount of gain recognized in 2002 compared to 2001 was influenced by significantly lower spreads (ranging from 3.97% to 5.61% in 2002, compared to 5.30% to 6.38% in 2001). Similarly the higher amount of gain recognized in 2001 compared to 2000, was affected by higher spreads in 2001 than in 2000 (4.86% to 5.23% in 2000). During 2002, credit losses were estimated at 0.75% of the estimated average balances, compared to a range of 0.25% - 0.50% in 2001. The increase in estimated credit losses during 2002 was a result of a higher level of charge-offs in the overall premium finance receivables portfolio as well as continued growth in the volume of this business. The lower gain recognized in 2002 was also influenced by a reduction in the number of months these loans are estimated to be outstanding. This reduction was due to trends of early pay-downs as the economy has weakened, insurance rates have escalated and borrowers cancelled their existing insurance in favor of more cost-effective alternatives. The estimated average terms of the loans in the 2002 were eight months compared to a range of eight to nine months in 2001 and nine months in 2000. The applicable discount rate used in determining gains related to this activity was the same in 2002 as in 2001 and 2000.

At December 31, 2002, premium finance loans sold and serviced for others for which the Company retains a recourse obligation related to credit losses totaled approximately \$141.1 million. At December 31, 2002, the remaining estimated recourse obligation carried in other liabilities is approximately \$807,000. Credit losses incurred on loans sold are applied against the recourse obligation liability that is established at the date of sale. Credit losses, net of recoveries, for 2002 for premium finance receivables sold and serviced for others totaled \$34,000. At December 31, 2002, non-performing loans related to this sold portfolio were approximately \$1.5 million, or 1.04%, of the sold loans. The premium finance portfolio owned by the Company had a non-performing loans to total loans ratio of 1.50% at December 31, 2002. The Company anticipates that premium finance receivables sold will have lower credit losses than the loans retained in its portfolio since the purchaser of the loans stipulates certain characteristics of the loans to be included in the loan pools sold, including shorter maturities. Ultimate losses on premium finance loans are substantially less than non-performing loans for the reasons noted in the "Non-performing Premium Finance Receivables" portion of the "Credit Risk and Asset Quality" section of this report.

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.

Administrative services revenue generated by Tricom was \$3.5 million in 2002, \$4.1 million in 2001 and \$4.4 million 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. The revenue at Tricom has declined in 2002 and 2001 due to the general slowdown in the United States economy and the reduction in the placement of temporary staffing individuals by Tricom's customers.

Despite the lower fee income generated by Tricom, its net income contribution to the Company increased as a result of lower interest expenses due to the decline in Tricom's variable funding costs, the cessation of goodwill amortization and the reduction of other controllable expenses. See further discussion of this segment's profitability under the section titled "Operating Segment Results". Additionally, in the first few days of 2003, Tricom acquired the customer base of a competitor. The acquisition of such accounts is anticipated to contribute an additional \$1 million in fee revenue in 2003 assuming economic conditions do not dramatically impact that new client base.

Premium income from covered call option transactions totaled \$6.0 million in 2002, \$4.3 million in 2001 and \$882,000 in 2000. The significant increases in the fees from covered call options in 2002 and 2001 are due to increases in the volume of such transactions, the unprecedented declining interest rate environment during these years and the related volatility in the marketplace that resulted in higher prices of the underlying securities. During 2002, call option contracts were written against \$1.8 billion of underlying securities, compared to \$974 million in 2001 and \$292 million in 2000. The same security may be included in this total more than once to the extent that multiple call option contracts were written against it if the initial call option contracts were not exercised. The Company writes call options with terms of less than three months against certain U.S. Treasury and agency securities held in its portfolio for liquidity and other purposes. The call option transactions are designed to increase the total return associated with holding certain investment securities and do not qualify as hedges pursuant to SFAS 133. There were no outstanding call options at December 31, 2002 or December 31, 2001.

Proceeds from a partial settlement related to the premium finance defalcation that occurred and was recognized in 2000, accounted for the entire \$1.25 million of premium finance defalcation-partial settlement income in 2002.

Other non-interest income includes rental income from equipment leases of \$1.2 million in 2002, \$1.6 million in 2001 and \$1.3 million in 2000. Also included in this category in 2002 is \$803,000 from Bank Owned Life Insurance ("BOLI"). During the third quarter of 2002, the Company purchased \$41.1 million of BOLI to consolidate existing term life insurance contracts of executive officers and to mitigate the mortality risk associated with death benefits provided for in executive employment contracts.

#### **NON-INTEREST EXPENSE**

Non-interest expense totaled \$106.0 million in 2002, and increased \$40.2 million, or 61%, from 2001. The Wayne Hummer Companies contributed \$26.7 million to the increase in Wintrust's total non-interest expense in 2002. Significant components of non-interest expense recognized by the Wayne Hummer Companies include salaries and benefits of \$17.2 million and commissions paid by Focused Investments to third party financial institutions of \$2.3 million, representing 64% and 8%, respectively, of the total \$26.7 million.

Excluding the non-interest expenses of the Wayne Hummer Companies in 2002, total non-interest expense increased \$13.5 million, or 21%, in 2002. In 2001, non-interest expense increased \$8.0 million, or 14%, from the \$57.8 million reported in 2000. Non-interest expense in 2000 includes a non-recurring charge of \$4.3 million related to a premium finance defalcation. These increases are due to higher general operating costs associated with operating additional and larger banking offices and the continued growth of the balance sheet and fee-based businesses. During 2002, total loans increased 27% and total deposits increased 33%, and in 2001, total loans increased 30%, and total deposits increased 27%. These increases require 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. During 2002, the Company opened two additional banking offices and relocated two banking locations to newly constructed permanent locations. In 2001, the Company opened two new full-service banking locations, closed a limited-service facility and relocated its Northbrook Bank to a newly constructed permanent site.

The following table presents non-interest expense by category for 2002, 2001 and 2000 (in thousands).

	YEAR ENDED DECEMBER 31,			2002 COMPARED TO 2001		2001 compared to 2000	
	2002	2001	2000	\$ CHANGE	% CHANGE	\$ Change	% Change
Salaries and employee benefits	\$ 63,442	35,628	28,119	\$ 27,814	78.1%	\$ 7,509	26.7%
Equipment expense	7,191	6,297	5,101	894	14.2	1,196	23.4
Occupancy, net	6,691	4,821	4,252	1,870	38.8	569	13.4
Data processing	4,161	3,393	2,837	768	22.6	556	19.6
Advertising and marketing	2,302	1,604	1,309	698	43.5	295	22.5
Professional fees	2,801	2,055	1,681	746	36.3	374	22.2
Amortization of goodwill	-	616	644	(616)	N/M	(28)	(4.3)
Amortization of other intangibles	324	69	69	255	369.6	-	-
Loan expenses	2,443	2,286	1,109	157	6.9	1,177	106.1
Stationery and supplies	2,110	1,413	1,255	697	49.3	158	12.6
Postage	2,106	1,707	1,489	399	23.4	218	14.6
Premium finance defalcation	-	-	4,320	-	N/M	(4,320)	(100.0)
Other	12,413	5,894	5,618	6,519	110.6	276	4.9
<b>Total non-interest expense</b>	<b>\$ 105,984</b>	<b>65,783</b>	<b>57,803</b>	<b>\$ 40,201</b>	<b>61.1%</b>	<b>\$ 7,980</b>	<b>13.8%</b>

N/M - not meaningful

Despite the growth and the related increases in many of the non-interest expense categories, Wintrust's net overhead ratio, which is non-interest expense less non-interest income as a percent of total average assets, improved to 1.41% in 2002, from 1.59% in 2001, and 2.13% in 2000. 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 60% of the total in 2002, 54% in 2001 and 49% in 2000. For the year ended December 31, 2002, salaries and benefits totaled \$63.4 million and increased \$27.8 million, or 78%, compared to 2001. The Wayne Hummer Companies contributed \$17.2 million and commissions paid to mortgage originators contributed \$1.9 million to the increase in 2002. In 2001, salaries and benefits increased \$7.5 million, or 27%, compared to 2000. Commissions paid to mortgage originators contributed \$1.7 million of the increase in salaries and benefits in 2001. The increases in commissions paid to mortgage originators in 2002 and 2001 correspond to the increased fees generated from the origination and sale of mortgage loans into the secondary market during these periods. The continued growth and expansion of the banking franchise, FIFC and the wealth management business, as well as normal increases in salary and employee benefit costs, also contributed to the increases during 2002 and 2001.

Equipment expense, which includes furniture, equipment and computer software depreciation and repairs and maintenance costs, totaled \$7.2 million in 2002, \$6.3 million in 2001 and \$5.1 million in 2000, reflecting increases of 14% in 2002 and 23% in 2001. These increases were caused by higher levels of expense related to the furniture, equipment and computer software required at new facilities as well as at existing facilities due to increased staffing.

Occupancy expense for the years 2002, 2001 and 2000 were \$6.7 million, \$4.8 million and \$4.3 million, respectively, reflecting increases of 39% in 2002 and 13% in 2001. Occupancy expense includes depreciation on premises, real estate taxes, utilities and maintenance of premises, as well as net rent expense for leased premises. Increases in 2002 and 2001 reflect the increases in the number of facilities operated as well as market increases in operating such facilities.

Data processing expenses totaled \$4.2 million in 2002, \$3.4 million in 2001 and \$2.8 million in 2000, representing increases of \$768,000, or 23%, in 2002 and \$556,000, or 20%, in 2001. The entire increase in 2002 is attributable to data processing expenses at the Wayne Hummer Companies. Data processing expenses in 2002 for the Banks and the Company's other operating subsidiaries was relatively unchanged from 2001, despite increases in loans of 27% and deposits of 33%. During 2002, the Company's wholly-owned subsidiary, Wintrust

Information Technology Services Company, began operations and provided certain data processing services to the Company's operating subsidiaries that were out-sourced in previous years. The increase in 2001 was due primarily to the additional transactional charges related to the increases in the deposit and loan portfolios during the year.

Advertising and marketing expenses totaled \$2.3 million for 2002, \$1.6 million for 2001 and \$1.3 million for 2000. 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 the wealth management business, and to continue to promote community-based products at the more established locations. The level of marketing expenditures depends on the type of marketing programs utilized which are determined based on the market area, targeted audience, competition and various other factors. Management continues to utilize targeted marketing programs in the more mature market areas. In 2002, advertising and marketing costs reflect marketing materials related to the additional services the Company provides as a result of its acquisition of the Wayne Hummer Companies.

Professional fees include legal, audit and tax fees, external loan review costs and normal regulatory exam assessments. These fees totaled \$2.8 million in 2002, \$2.1 million in 2001 and \$1.7 million in 2000. The increases are attributable to the general growth in the Company's total assets and fee-based businesses.

In accordance with SFAS 142, the Company discontinued the amortization of goodwill in 2002. Amortization of other intangible assets relates to the Company's finite lived intangible assets. See Note 7 to the Consolidated Financial Statements for further discussion of goodwill and intangible assets.

Loan expenses totaled \$2.4 million in 2002, \$2.3 million in 2001 and \$1.1 million in 2000. This category includes costs for such items as appraisal fees, attorney fees, and other unreimbursed expenses related to the administration and collection of loans. The higher levels in 2002 and 2001 are indicative of the increased volume of loans as well as the increased level of mortgage loans sold into the secondary market.

Stationery and supplies totaled \$2.1 million in 2002, \$1.4 million in 2001 and \$1.3 million in 2000, reflecting increases of \$697,000, or 49% in 2002 and \$158,000, or 13%, in 2001. In 2002, the Wayne Hummer Companies contributed \$293,000 to the increase in this category. The increases in this category are indicative of the increased volume of business as well as the additional branch locations.

Postage expense for 2002, 2001 and 2000 totaled \$2.1 million, \$1.7 million and \$1.5 million, reflecting increases of 23% in 2002 and 15% in 2001. These increases reflect the increased volume of loans and deposits as well as increases in postage rates in 2002 and 2001.

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 received a partial settlement of \$1.25 million in 2002, and recorded this settlement in other non-interest income.

Other non-interest expenses include correspondent bank service charges, insurance, telephone, directors fees, and other sundry expenses. This category increased \$6.5 million in 2002, and the Wayne Hummer Companies accounted for \$5.4 million of this increase. The expenses of the Wayne Hummer Companies included in this category include commissions paid by Focused Investments to third party financial institutions of \$2.3 million and brokerage clearing and exchange fees of \$1.0 million. Excluding the expenses of the Wayne Hummer Companies, this category increased \$1.1 million, or 18%, in 2002, and \$276,000, or 5%, in 2001, and these increases are below the growth rates of loans and deposits in those periods.

## **INCOME TAXES**

The Company recorded income tax expense of \$14.6 million in 2002, \$10.4 million in 2001 and \$5.3 million in 2000. The effective tax rates were 34.4%, 35.8% and 32.2% in 2002, 2001 and 2000, respectively. The lower effective rate in 2000, as compared to 2002 and 2001, was due to a decrease in tax expense in 2000 resulting from a reduction in the valuation allowance previously established regarding the Company's deferred tax assets. Please refer to Note 17 to the Consolidated Financial Statements for further discussion and analysis of the Company's tax position, including a reconciliation of the tax expense computed at the statutory tax rate to the Company's actual tax expense.

## OPERATING SEGMENT RESULTS

As described in Note 24 to the Consolidated Financial Statements, the Company's operations consist of five primary segments: banking, premium finance, indirect auto, Tricom and wealth management. The Company's profitability is primarily dependent on the net interest income, provision for 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, 2002 totaled \$89.3 million as compared to \$69.9 million for the same period in 2001, an increase of \$19.3 million, or 28%. The increase in net interest income for 2001 when compared to the total of \$57.2 million in 2000 was \$12.7 million, or 22%. These increases were primarily the result of continued growth in the loan portfolio. Total loans increased 27% in 2002 and 30% in 2001. The banking segment's non-interest income totaled \$25.9 million in 2002, an increase of \$7.3 million, or 40%, when compared to the 2001 total of \$18.5 million. This increase was primarily due to an increase of \$4.4 million in fees on mortgage loans sold, reflecting heavy origination volumes driven by the low interest rate environment and a strong local housing market, a \$1.6 million increase in fees from covered call option transactions which were entered into to enhance the overall return on the investment portfolio and a \$617,000 increase in service charges on deposits. In 2001, non-interest income for the banking segment increased \$9.9 million, or 115%, compared to the prior year amount of \$8.6 million. This increase was primarily due to an increase of \$4.9 million in fees on mortgage loans sold, a \$3.5 million increase in fees from covered call option transactions and a \$568,000 increase in service charges on deposits. The banking segment's net income for the year ended December 31, 2002 totaled \$28.7 million, an increase of \$7.9 million, or 38%, as compared to the 2001 total of \$20.8 million. The total segment profit in 2001 increased \$6.1 million, or 41%, over the \$14.8 million that was recorded in 2000.

Net interest income for the premium finance segment totaled \$34.0 million for the year ended December 31, 2002 and increased \$7.1 million, or 26%, over the \$26.9 million in 2001. During 2002, this segment benefited from higher levels of premium finance receivables and lower funding costs compared to 2001. In 2001, net interest income for the premium finance segment increased \$12.1 million, or 82%, over the 2000 total of \$14.8 million. This increase resulted from higher levels of premium finance receivables produced from various business development efforts and other new product offerings. The premium finance segment's non-interest income totaled \$4.6 million, \$4.5 million and \$3.8 million for the years ended December 31, 2002, 2001 and 2000, respectively. Non-interest 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, and in 2002, also includes a \$1.25 million partial settlement on a fraud loss recognized in 2000. The Company began selling premium finance receivables to an unrelated third party in 1999 with servicing retained. Net after-tax profit of the premium finance segment totaled \$14.9 million, \$10.6 million and \$2.6 million for the years ended December 31, 2002, 2001 and 2000, respectively. Net income for 2000 was negatively impacted by a \$4.3 million (\$2.6 million after tax) non-recurring charge related to a fraud perpetrated by one independent insurance agent. Excluding this one-time charge, the premium finance segment profit increased \$5.4 million, or 104%, in 2001 compared to 2000.

Net interest income for the indirect auto segment totaled \$8.0 million in 2002, compared to the \$6.8 million reported for 2001. The increase in net interest income was due primarily to lower variable rate funding costs in 2002 compared to 2001. Net interest income increased \$307,000, or 5%, in 2001 compared to 2000, due primarily to lower funding costs. Due to the impact of the current economic and competitive environment surrounding indirect auto lending, management is not pursuing growth in this segment and anticipates that this portfolio will comprise a smaller portion of the total loan portfolio in the future. Indirect automobile loans were \$178 million, \$184 million, \$204 million at December 31, 2002, 2001 and 2000, respectively. The indirect auto segment after-tax profit totaled \$3.0 million for the year ended December 31, 2002, an increase of \$819,000, from the 2001 total of \$2.2 million. This segment's profitability in 2002 was negatively affected by a lower level of outstanding balances, but was offset by lower variable rate funding costs as well as a lower credit loss provision allocated to his portfolio due to a lower level of charge-offs experienced in 2002. (See the "Credit Risk and Asset Quality" section of this report.) In 2001, the after-tax segment profit increased \$620,000, or 39%, from the 2000 total of \$1.6 million due to the increase in net interest income noted above as well as a \$712,000 decrease in the provision for loan losses.

The Tricom segment data reflects the business associated with short-term accounts receivable financing and value-added out-sourced administrative services, such as data processing of payrolls, billing and cash management services, that Tricom provides to its clients in the temporary staffing industry. The segment's net interest income was \$4.2 million in 2002, reflecting an increase of \$310,000, or 8%, compared to the \$3.9 million reported for 2001. Net interest income increased \$296,000, or 8%, in 2001 compared to 2000. The increases in net interest income in 2002 and 2001 are attributable to lower variable rate funding costs. Non-interest income for 2002 was \$3.5 million, decreasing \$583,000, or 14%, from the \$4.1 million reported in 2001. In 2001, non-interest income for the Tricom segment decreased \$392,000, or 9%, compared to the prior year amount of \$4.5 million. Revenue trends at Tricom reflect the general slowdown in the economy and the reduction in the placement of temporary staffing individuals by Tricom's customers. The segment's net income was \$1.6 million in 2002, an increase of \$324,000, or 26%, compared to 2001. The increase in the segment's net income in 2002, is attributable to a decrease of \$760,000, or 13%, in non-interest expenses, offset by a decrease in total revenue of \$273,000. As discussed in Note 7 of the Consolidated Financial Statements, Tricom benefited from the adoption of SFAS 142. Ceasing amortization of goodwill contributed \$503,000 of the segment's decrease in non-interest expenses in 2002, and \$301,000 of the segment's increase in net income for the year. In 2001, the after-tax segment profit decreased \$381,000, or 23%, from the 2000 total of \$1.6 million.

The wealth management segment reported net interest income of \$4.1 million for 2002 compared to \$755,000 for 2001 and \$508,000 for 2000. The rise in net interest income reported in 2002 is due to the net interest income allocated to the segment from non-interest bearing and interest-bearing account balances on deposit at the Banks and an increase in the segment's earning assets, primarily the interest-bearing brokerage customer receivables at WHI. This segment recorded non-interest income of \$26.2 million for 2002 as compared to \$2.0 million for both 2001 and 2000, an increase of \$24.2 million over 2001. The increase in 2002 is attributable to the revenues from the Wayne Hummer Companies. Wintrust is committed to growing the trust and investment business in order to better service its customers and create a more diversified revenue stream. The wealth management segment's after-tax loss totaled \$330,000 for 2002 as compared to an after-tax loss of \$413,000 for 2001 and 2000.

The increased contribution in net interest income in 2002 was primarily the result of the migration of funds from the money market mutual fund balances managed by WHAMC into deposit accounts of the Banks. As of December 31, 2002, approximately \$232 million had migrated into insured bank deposits at the affiliate banks. All revenue components of this segment were negatively impacted by market conditions during 2002. Lower transaction volumes and reduced market values impacted fees and commissions on transaction based business, trust fees, and asset management fees. The addition of Lake Forest Capital Management Company (acquired February 4, 2003) continues the Company's commitment to this segment.

## ANALYSIS OF FINANCIAL CONDITION

The Company's total assets were \$3.72 billion at December 31, 2002, an increase of \$1.02 billion, or 38%, when compared to the \$2.71 billion at December 31, 2001. Total assets increased \$602.6 million, or 29%, in 2001 over the \$2.10 billion at December 31, 2000. The increases in loans of \$537.6 million in 2002, and \$470.9 million in 2001, accounted for the majority of the increases in total assets.

## INTEREST-EARNING ASSETS

The following table sets forth, by category, the composition of average earning asset balances and the relative percentage of each to total average earning assets for periods presented (dollars in thousands):

	Year Ended December 31,					
	2002		2001		2000	
	AVERAGE BALANCE	PERCENT OF TOTAL	Average Balance	Percent of Total	Average Balance	Percent of Total
Loans:						
Commercial and commercial real estate	\$ 1,127,044	38%	\$ 787,041	37%	\$ 551,817	33%
Home equity	318,656	11	211,563	10	158,328	9
Residential real estate (1)	185,407	6	148,411	7	126,726	8
Premium finance receivables	458,767	15	357,181	16	272,087	16
Indirect auto loans	183,963	6	190,982	9	233,716	14
Tricom finance receivables	19,791	1	18,670	1	20,702	1
Consumer and other loans	61,392	2	72,748	3	53,043	3
Total loans, net of unearned income	\$ 2,355,020	79%	\$ 1,786,596	83%	\$ 1,416,419	84%
Liquidity management assets (2)	555,861	19	360,443	17	263,666	16
Other earnings assets (3)	54,327	2	-	-	-	-
Total average earning assets	\$ 2,965,208	100%	\$ 2,147,039	100%	\$ 1,680,085	100%
Total average assets	\$ 3,212,467		\$ 2,328,032		\$ 1,853,582	
Total average earning assets to total average assets		92%		92%		91%
(1) Includes mortgage loans held-for-sale						
(2) Includes available-for-sale securities, interest earning deposits with banks and federal funds sold						
(3) Includes brokerage customer receivables and trading account securities						

Average earning assets increased \$818.2 million, or 38%, in 2002 and \$467.0 million, or 28%, in 2001. The ratio of average earning assets as a percent of total average assets remained consistent at approximately 91% - 92% in each of the last three years.

Loan growth continued to fuel the Company's earning asset growth in 2002. Total average loans increased \$568.4 million, or 32%, in 2002, and \$370.2 million, or 26%, in 2001. The increase in average loans was primarily funded by increases in deposits as the average loans to average deposits ratio remained relatively unchanged at 88.5% in 2002 and 87.4% in 2001. These loan-to-deposit ratios fall within management's desired range of 85% - 90%.

Loans. Average total loans, net of unearned income, totaled \$2.4 billion in 2002, \$1.8 billion in 2001 and \$1.4 billion in 2000. Significant and continued growth occurred during 2002 and 2001 in commercial and commercial real estate, home equity, residential mortgages and the premium finance receivables portfolios. Decreases in indirect auto loans during 2002 and 2001 were the result of management's decision to slow the volume of originations of indirect auto loans due to the current economic and competitive environment surrounding this portfolio.

Average commercial and commercial real estate loans, the largest loan category, totaled \$1.1 billion in 2002, and increased \$340.0 million, or 43%, over the average balance in 2001. The average balance in 2001 increased \$235.2 million, or 43%, over the average balance in 2000. This category comprised 48% of the average loan portfolio in 2002 and 44% of average loans in 2001. The solid growth realized in this category is attributable to increased business development efforts, a low interest rate environment and a continued healthy local economy.

Home equity loans averaged \$318.7 million in 2002, and increased \$107.1 million, or 51%, when compared to the average balance in 2001. This increase was mainly the result of increased line of credit usage and special marketing programs. Unused commitments on home equity lines of credit totaled \$385.3 million at December 31, 2002, and \$304.6 million at December 31, 2001.

Residential real estate loans averaged \$185.4 million in 2002, and increased \$37.0 million, or 25%, over the average balance in 2001. This category includes mortgage loans held-for-sale. 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 increase in the amount of mortgage loans held for sale reflects the significant increase in mortgage loan activity in 2002 resulting from the low interest rate environment. 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.

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. However, these loans may involve greater credit risk than generally associated with loan portfolios of more traditional community banks due to marketability of the collateral, or because of the indirect relationship the Company has with the underlying borrowers. Currently, the Company's three specialty loan areas that are considered separate operating segments consist of the premium finance, indirect auto and Tricom segments. Other specialty loan programs include medical and municipal equipment leases through a division of Lake Forest Bank, mortgage broker warehouse lending through Hinsdale Bank, the Community Advantage program at Barrington Bank, which provides lending, deposit and cash management services to condominium, homeowner and community associations and the small aircraft lending program at Crystal Lake Bank. 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. These receivables represent loans to businesses to finance the insurance premiums they pay on their commercial insurance policies. All premium finance receivables originated by FIFC 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. Average premium finance receivables totaled \$458.8 million in 2002, and accounted for 19% of the Company's average total loans. Average premium finance receivables increased \$101.6 million, or 28%, from the average balance of \$357.2 million in 2001. The majority of the receivables originated by FIFC are sold to the Banks and retained in their loan portfolios. However, premium finance receivables originated in excess of the capacity to retain such receivables within the Banks' loan portfolios are sold to an unrelated third party with servicing retained. In 2002, FIFC sold approximately \$311 million, or 18%, of the \$1.7 billion of receivables originated in 2002. See Consolidated Results of Operations for further information on these loan sales. Total premium finance loan originations were \$1.7 billion, \$1.3 billion and \$1.1 billion in 2002, 2001 and 2000, respectively. These increases in origination volume are due in part to market increases in insurance premiums.

Indirect auto loans. The Company finances fixed rate automobile loans from a large network of unaffiliated automobile dealers located throughout the Chicago metropolitan area with which the Company has established relationships. 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. Like other consumer loans, the indirect auto loans are subject to the Banks' established credit standards. Management regards substantially all of these loans as prime quality loans. Management continually monitors the dealer relationships and the Banks are not dependent on any one dealer as a source of such loans. In response to economic conditions and the competitive environment for this product, the Company has been reducing the level of new indirect auto loans originated. Although, 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, management is not pursuing growth in this segment and anticipates that this portfolio will comprise a smaller portion of the loan portfolio in the future. During 2002, 2001 and 2000 average indirect auto loans totaled \$184.0 million, \$191.0 million and \$233.7 million, respectively.

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. These receivables may involve greater credit risks than generally associated with the loan portfolios of more traditional community banks depending on the marketability of the collateral. The principal sources of repayments on the receivables are payments due to the borrowers from their customers who are located throughout the United States. The Company mitigates this risk by employing lockboxes and other cash management techniques to protect their interests. Typically, Tricom also provides value-added out-sourced administrative services to many of these clients, such as data processing of payrolls, billing and cash management services, which generates additional fee income. Average Tricom finance receivables were \$19.8 million in 2002, \$18.7 million in 2001 and \$20.7 million in 2000. The general slowdown in the United States economy has contributed to the reduction in the placement of temporary staffing individuals by Tricom's customers and the lower level of Tricom finance receivables in 2002 and 2001, compared to 2000.

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, the level of other funding services and loan demand. Average quality management assets increased \$195.4 million in 2002 compared to 2001, and \$96.8 million in 2001 compared to 2000, as a result of increases in average deposits and other funding sources exceeding increases in average loans and brokerage customer receivables during these years.

Other earning assets. Average other earning assets includes trading account securities and brokerage customer receivables as a result of the acquisition of the Wayne Hummer Companies in February 2002. These other earning assets averaged \$54.3 million in 2002, and totaled \$43.2 million at December 31, 2002. In the normal course of business, WHI activities involve the execution, settlement, and financing of various securities transactions. These activities may expose WHI to risk in the event the customer is unable to fulfill its contractual obligations. WHI maintains cash and margin accounts for its customers, who are generally located in the Chicago, Illinois and Appleton, Wisconsin metropolitan areas of the Midwest.

WHI's customer securities activities are transacted on either a cash or margin basis. In margin transactions, WHI extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in customer's accounts. In connection with these activities, WHI executes and clears customer transactions relating to the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose WHI to off-balance-sheet risk, particularly in volatile trading markets, in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy its obligations, WHI may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations. WHI seeks to control the risks associated with its customers' activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. WHI monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or to reduce positions when necessary.

WHI's customer financing and securities settlement activities require WHI to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, WHI may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. WHI attempts to control this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, WHI establishes credit limits for such activities and monitors compliance on a daily basis.

## **DEPOSITS AND OTHER FUNDING SOURCES**

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 the Company's banks and branch offices are still relatively young, 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. During 2002 and 2001, the Company has experienced significant growth in both the number of accounts and the balance of deposits primarily as a result of new branch openings and strong marketing efforts. Total deposits at December 31, 2002, were \$3.1 billion, increasing \$774.5 million, or 33%, over the \$2.3 billion at December 31, 2001.

Average deposit balances in 2002 were \$2.7 billion, reflecting an increase of \$617.2 million, or 30%, compared to the average balances in 2001. During 2001, average deposits increased \$427.2 million, or 26%, compared to the prior year. The composition of the deposit base has remained relatively consistent over the last three years as evidenced by the average deposit balances and relative composition of each deposit category to total deposits as presented in the following table (dollars in thousands):

	Year Ended December 31,					
	2002		2001		2000	
	AVERAGE BALANCE	PERCENT OF TOTAL	Average Balance	Percent of Total	Average Balance	Percent of Total
Non-interest bearing deposits	\$ 262,888	10%	\$ 206,267	10%	\$ 166,050	10%
NOW accounts	308,712	11	205,306	10	152,731	9
NOW - Brokerage customer deposits	96,486	4	-	-	-	-
Money market accounts	371,063	14	305,084	15	276,674	17
Savings accounts	134,415	5	106,845	5	74,421	5
Time certificate of deposits	1,486,715	56	1,219,584	60	946,012	59
<b>Total deposits</b>	<b>\$ 2,660,279</b>	<b>100%</b>	<b>\$ 2,043,086</b>	<b>100%</b>	<b>\$ 1,615,888</b>	<b>100%</b>

Following the acquisition of the Wayne Hummer Companies in February 2002, Wintrust undertook efforts to migrate funds from the money market mutual fund balances managed by Wayne Hummer Asset Management Company into deposit accounts of the Banks ("NOW-Brokerage customer deposits" in table above). Consistent with reasonable interest rate risk parameters, the funds will generally be invested in excess loan production of the Banks as well as other investments suitable for banks. As of December 31, 2002, \$231.7 million had migrated into an insured bank deposit product (NOW accounts) at the various Banks. The migration of additional funds to the Banks is subject to the desire of the customers to make the transition of their funds into FDIC-insured bank accounts, capital capacity of the Company and the availability of suitable investments in which to deploy the funds. Excluding these brokerage customer deposits, average deposits increased \$520.7 million, or 25%, in 2002.

Growth in the deposit base continues to be generated by each of the Banks. The following table presents average deposit balances by the Banks and the relative percentage of total average deposits held by each Bank during each of the past three years (dollars in thousands):

	Year Ended December 31,					
	2002		2001		2000	
	AVERAGE BALANCE	PERCENT OF TOTAL	Average Balance	Percent of Total	Average Balance	Percent of Total
Lake Forest Bank	\$ 642,514	24%	\$ 522,634	26%	\$ 446,636	28%
Hinsdale Bank	467,597	17	375,400	18	309,695	19
North Shore Bank	531,141	20	436,581	21	367,429	23
Libertyville Bank	350,550	13	277,894	14	213,385	13
Barrington Bank	340,642	13	241,452	12	186,514	11
Crystal Lake Bank	202,886	8	139,793	7	91,500	6
Northbrook Bank	124,949	5	49,332	2	729	-
<b>Total deposits</b>	<b>\$ 2,660,279</b>	<b>100%</b>	<b>\$ 2,043,086</b>	<b>100%</b>	<b>\$ 1,615,888</b>	<b>100%</b>
Percentage increase from prior year		30%		26%		23%

Other Funding Sources. Although deposits are the Company's primary source of funding its interest-earning assets, the Company's ability to manage the types and terms of deposits is somewhat limited by customer preferences and market competition. As a result, in addition to deposits and the issuance of equity securities, as well as the retention of earnings, the Company uses several other funding sources to support its growth. These other sources include short-term

borrowings, notes payable, FHLB advances, subordinated debt and trust preferred securities. The Company evaluates the terms and unique characteristics of each source, as well as its asset-liability management position, in determining the use of such funding sources.

The composition of average other funding sources in 2002, 2001 and 2000, is presented in the following table (dollars in thousands):

	Year Ended December 31,					
	2002		2001		2000	
	AVERAGE BALANCE	PERCENT OF TOTAL	Average Balance	Percent of Total	Average Balance	Percent of Total
Notes payable	\$ 55,133	18%	\$ 29,529	24%	\$ 18,790	16%
Federal Home Loan Bank advances	119,041	40	21,945	17	-	-
Subordinated note	4,384	2	-	-	-	-
Short-term borrowings - Banks	34,693	11	24,120	19	55,749	48
Wayne Hummer Companies funding	33,103	11	-	-	-	-
Long-term debt - trust preferred securities	51,050	17	51,050	40	41,990	36
Other	4,315	1	-	-	354	-
<b>Total other funding sources</b>	<b>\$ 301,719</b>	<b>100%</b>	<b>\$ 126,644</b>	<b>100%</b>	<b>\$ 116,883</b>	<b>100%</b>

Notes payable. The notes payable balances represent the balances on a revolving credit 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 our wealth management business, possible future acquisitions and for other general corporate matters. At December 31, 2002 and 2001, the Company had \$44.0 million and \$46.6 million, respectively, of notes payable outstanding. See Note 11 to the Consolidated Financial Statements for further discussion of the terms of this revolving credit line.

FHLB Advances. The Banks began to use FHLB advances as a source of funding in 2001. These advances provide the Banks with access to fixed rate funds which are useful in mitigating interest rate risk and achieving an acceptable interest rate spread on fixed rate loans or securities. FHLB advances to the Banks totaled \$140.0 at December 31, 2002, and \$90.0 million at December 31, 2001. See Note 12 to the Consolidated Financial Statements for further discussion of the terms of these advances.

Subordinated note. In 2002, the Company entered into a \$25.0 million subordinated note agreement with an unaffiliated bank. The note requires annual principal payments of \$5.0 million, beginning in 2008, and qualifies as Tier II regulatory capital. See Note 13 to the Consolidated Financial Statements for further discussion of the terms of this note.

Short-term borrowings - Banks. This category includes securities sold under repurchase agreements and federal funds purchased and totaled \$26.6 million and \$28.1 million at December 31, 2002 and 2001, respectively. Securities sold under repurchase agreements primarily represent sweep accounts for certain customers in connection with master repurchase agreements at the Banks. This funding category fluctuates based on customer preferences and daily liquidity needs of the Banks, its customers, FIFC and Tricom.

Wayne Hummer Companies funding. This funding consists of collateralized demand obligations to third party banks that are used to finance securities purchased by customers on margin and securities owned by WHI, and demand obligations to brokers and clearing organizations. At December 31, 2002, the Wayne Hummer Companies funding totaled \$15.1 million and represented collateralized demand obligations to brokers. See Note 14 to the Consolidated Financial Statements for further discussion of this funding source.

Long-term debt - trust preferred securities. The Company has \$51.1 million of trust preferred securities outstanding which were sold in two public 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 funds for the continued growth of its banking and trust franchise. The ability to treat these trust preferred securities as regulatory capital under Federal Reserve Bank guidelines and to deduct the related interest

expense for Federal income taxes, provides the Company with a cost-effective form of capital. See Note 15 to the Consolidated Financial Statements for further discussion of these trust preferred securities.

Shareholders' Equity. Average shareholders' equity was \$188.8 million in 2002, and \$121.0 million in 2001. The Company issued shares of common stock in 2001 and 2002 through additional public offerings. During 2002, the Company issued approximately 1.4 million shares of stock, at approximately \$26.79 per share, raising approximately \$36.5 million in equity, net of issuance costs. During 2001, the Company issued approximately 1.5 million shares, at approximately \$14.93 per share, raising approximately \$22.2 million of equity, net of issuance costs. During 2002, the Company also issued 762,742 shares of common stock, valued at \$15.0 million, or \$19.67 per share, in connection with the acquisition of the Wayne Hummer Companies.

#### **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 derivative 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 derivative 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 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.

Since 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 manage interest rate risk is to enter into derivative financial instruments. A derivative financial instrument includes interest rate swaps, interest rate caps and floors, futures, forwards, option contracts and other financial instruments with similar characteristics. As of December 31, 2002, the Company had \$75 million notional principal amount of interest rate cap contracts outstanding that mature between January 2003 and February 2003. These contracts were purchased to mitigate the effect of rising rates on certain floating rate deposit products. Additionally, during 2001, the Company entered into a \$25 million notional principal amount interest rate swap contract that matures in February 2004. This contract effectively converts a portion of the Company's floating-rate notes payable to a fixed-rate basis, thus reducing the impact of rising interest rates on future interest expense. During the fourth quarter of 2002, the Company renewed and increased its revolving loan agreement, and completed a \$25 million subordinated debt agreement with an unaffiliated bank that qualifies as Tier II regulatory capital. The Company also entered into two interest rate swap contracts in 2002. A \$25 million notional principal amount swap was entered into to convert the newly issued subordinated note from variable-rate to fixed-rate. The swap matures in 2012, and the notional principal amount is reduced \$5 million annually, beginning in 2008, to match the principal reductions on the subordinated note. Additionally, a \$31.05 million interest rate swap contract was entered into to convert the Company's 9% Trust Preferred Securities from fixed-rate to variable-rate. This swap has a termination date of September 30, 2028, and provides the counterparty with a call option on any date on or after September 30, 2003. The call option in the swap coincides with the Company's call option in the trust preferred securities. All of the Company's interest rate swap contracts qualify as perfect hedges pursuant to SFAS 133.

During 2002 and 2001, the Company also entered into certain covered call option transactions related to certain securities held by the Company. The Company uses these covered call option transactions (rather than entering into other derivative interest rate contracts, such as interest rate floors) to mitigate the effects of an asset-sensitive balance sheet in a falling rate environment and increase the total return associated with the related securities. Although the revenue received from the covered call options is recorded as non-interest income rather than interest income, the increased return attributable to the related securities from these covered call options contributes to the Company's overall profitability in a falling rate environment. The Company's exposure to interest rate risk may be effected by these transactions. To mitigate this risk, the Company may acquire fixed rate term debt or use financial derivative instruments. There were no call options outstanding as of December 31, 2002 or December 31, 2001.

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 derivative financial instruments to minimize the inherent risk while at the same time maximizing net interest income. Tools used by management include a standard gap analysis 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.

Standard gap analysis starts with contractual repricing information for assets, liabilities and derivative financial instruments. These items are then combined with repricing estimations for administered rate (NOW, savings and money market accounts) and non-rate related products (demand deposit accounts, other assets, other liabilities) and equity. These estimations recognize the relative insensitivity of these accounts to changes in market interest rates, as demonstrated through current and historical experiences. Also included are estimates for those items that are likely to materially change their payment structures in different rate environments, including residential loan products, certain commercial and commercial real estate loans and certain mortgage-related securities. Estimates for these sensitivities are based on industry assessments and are substantially driven by the differential between the contractual coupon of the item and current market rates for similar products.

The following table illustrates the Company's estimated interest rate sensitivity and periodic and cumulative gap positions as of December 31, 2002:

	TIME TO MATURITY OR REPRICING				Total
	0-90 Days	91-365 Days	1-5 Years	Over 5 Years	
<b>ASSETS:</b>					
Federal funds sold and securities purchased under resale agreements	\$ 151,251	-	-	-	151,251
Interest-bearing deposits with banks	4,418	-	-	-	4,418
Available-for-sale securities	137,686	70,467	102,947	236,579	547,679
<b>Total liquidity management assets</b>	<b>293,355</b>	<b>70,467</b>	<b>102,947</b>	<b>236,579</b>	<b>703,348</b>
Loans, net of unearned income (1)	1,721,116	443,226	438,077	44,113	2,646,532
Other earning assets	43,150	-	-	-	43,150
<b>Total earning assets</b>	<b>2,057,621</b>	<b>513,693</b>	<b>541,024</b>	<b>280,692</b>	<b>3,393,030</b>
Other non-earning assets	-	-	-	328,525	328,525
<b>Total assets (RSA)</b>	<b>\$2,057,621</b>	<b>513,693</b>	<b>541,024</b>	<b>609,217</b>	<b>3,721,555</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>					
Interest-bearing deposits (2)	\$1,518,299	660,274	586,837	18,174	2,783,584
Federal Home Loan Bank advances	-	-	120,000	20,000	140,000
Notes payable and other borrowings	90,733	-	-	-	90,733
Subordinated note	25,000	-	-	-	25,000
Long-term Debt - Trust Preferred Securities	-	-	-	50,894	50,894
<b>Total interest-bearing liabilities</b>	<b>1,634,032</b>	<b>660,274</b>	<b>706,837</b>	<b>89,068</b>	<b>3,090,211</b>
Demand deposits	-	-	-	305,540	305,540
Other liabilities	-	-	-	98,802	98,802
Shareholders' equity	-	-	-	227,002	227,002
<b>EFFECT OF DERIVATIVE FINANCIAL INSTRUMENTS:</b>					
Interest rate swaps (Company pays fixed, receives floating)	(50,000)	-	30,000	20,000	-
Interest rate swap (Company pays floating, receives fixed)	31,050	(31,050)	-	-	-
<b>Total liabilities and shareholders' equity including effect of derivative financial instruments (RSL)</b>	<b>\$1,615,082</b>	<b>629,224</b>	<b>736,837</b>	<b>740,412</b>	<b>3,721,555</b>
Repricing gap (RSA - RSL)	\$ 442,539	(115,531)	(195,813)	(131,195)	
Cumulative repricing gap	\$ 442,539	327,008	131,195	-	
Cumulative RSA/Cumulative RSL	127%	115%	104%		
Cumulative RSA/Total assets	55%	69%	84%		
Cumulative RSL/Total assets	43%	60%	80%		
Cumulative GAP/Total assets	12%	9%	4%		
Cumulative GAP/Cumulative RSA	22%	13%	4%		

(1) Loans, net of unearned income includes, mortgages held for sale and nonaccrual loans.

(2) Non-contractual interest-bearing deposits are subject to immediate withdrawal and, therefore, are included in 0-90 days.

While the gap position and related ratios illustrated in the table are useful tools that management can use to assess the general positioning of the Company's and its subsidiaries' balance sheets, it is only as of a point in time. The gap position does not reflect the impact of the interest rate cap contracts that may mitigate the effect of rising rates on certain floating rate deposit products. See Note 21-Derivative Financial Instruments to the Consolidated Financial Statements for further information on the interest rate cap contracts.

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 includes the impact of the interest rate cap agreements. 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, 2002 and December 31, 2001, 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: (1)		
DECEMBER 31, 2002	7.5%	(26.4)%
December 31, 2001	7.2%	(11.4)%

(1) Due to the low interest rate environment at December 31, 2002 and December 31, 2001, the 200 basis point instantaneous permanent parallel shift downward in the yield curve impacted a majority of the rate sensitive assets by the entire 200 basis points, while certain interest-bearing deposits were already at their floor, or repriced downward significantly less than 200 basis points.

These results are based solely on a permanent parallel shift in the yield curve and do not reflect the net interest income sensitivity that may arise from other factors, such as changes in the shape of the yield curve or the change in spread between key market rates. The above results are conservative estimates due to the fact that no management action to mitigate potential changes in net interest income are included in this simulation process. These management actions could include, but would not be limited to, delaying a change in deposit rates, extending the maturities of liabilities, the use of derivative financial instruments, changing the pricing characteristics of loans or modifying the growth rate of certain types of assets or liabilities.

### LIQUIDITY AND CAPITAL RESOURCES

The Company and the Banks are subject to various regulatory capital requirements established by the federal banking agencies that take into account risk attributable to balance sheet and off-balance sheet activities. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly 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 Federal Reserve's capital guidelines require bank holding companies to maintain a minimum ratio of qualifying total capital to risk-weighted assets of 8.0%, of which at least 4.0% must be in the form of Tier 1 Capital. The Federal Reserve also requires a minimum leverage ratio of Tier 1 Capital to total assets of 3.0% for strong bank holding companies (those rated a composite "1" under the Federal Reserve's rating system). For all other bank holding companies, the minimum ratio of Tier 1 Capital to total assets is 4.0%. In addition the Federal Reserve continues to consider the Tier 1 leverage ratio in evaluating proposals for expansion or new activities. The following table summarizes the capital guidelines for bank holding companies, as well as the Company's capital ratios as of December 31, 2002.

	MINIMUM RATIOS	WELL CAPITALIZED RATIOS	WINTRUST'S RATIOS
Leverage ratio	4.0%	5.0%	7.0%
Tier 1 risk-based capital ratio to risk-weighted assets	4.0%	6.0%	8.0%
Total risk-based capital ratio to risk-weighted assets	8.0%	10.0%	9.4%

As reflected in the above table, the Company met all minimum capital requirements as of December 31, 2002. In January 2002, the Company became designated as a financial holding company, thereby requiring its depository institutions to maintain their capital ratios in the "well capitalized" categories at all times. Refer to Note 19 of the Consolidated Financial Statements for further information on the capital positions of the Company's subsidiary banks. The following table reflects various measures of the Company's capital at December 31, 2002 and 2001.

	2002	2001
Average equity-to-average asset ratio	5.9%	5.2%
Leverage ratio	7.0	7.1
Tier 1 risk-based capital ratio	8.0	7.7
Total risk-based capital ratio	9.4	8.5
Dividend payout ratio	7.5	7.4

The Company's principal source of funds at the holding company level are dividends from its subsidiaries, borrowings on its revolving credit line with an unaffiliated bank, proceeds from the issuance of subordinated debt and proceeds from trust preferred securities offerings and additional equity offerings. Refer to Notes 11, 13, 15 and 23 of the Consolidated Financial Statements for further information on the

Company's notes payable,

subordinated note, Trust Preferred Securities offerings and shareholders' equity, respectively. The following table provides a summary of the funds raised through public and private offerings of common stock and Trust Preferred Securities as well as a private placement of subordinated debt, over the last five years: (dollars in millions)

Date of offering	Type of offering	Proceeds received	% of increase in regulatory capital
October 1998	Trust preferred securities	\$ 31.1	78%
November 1999	Common Stock	6.0	51
June 2000	Trust preferred securities	20.0	67
June 2001	Common Stock	22.2	49
June/July 2002	Common Stock	36.5	38
November 2002	Subordinated debt	25.0	26

Over the last few years, as shown in the table above, proceeds from public offerings of Trust Preferred Securities and the Company's common stock have accounted for a decreasing portion of the increase in the Company's total regulatory capital. While these funding and capital generation sources will continue to be reviewed, the Company's reliance on internally generated capital is expected to continue to grow.

Banking laws impose restrictions upon the amount of dividends that 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, 2003, subject to minimum capital requirements at the Banks, approximately \$46.3 million was available as dividends from the Banks without prior regulatory approval. However, since the Banks are required to maintain their capital at the well-capitalized level (due to the Company being approved as a financial holding company), funds otherwise available as dividends from the Banks are limited to the amount that would not reduce any of the Banks' capital ratios below the well-capitalized level. At January 1, 2003, approximately \$23.0 million was available as dividends from the Banks without compromising the Banks' well-capitalized positions. During 2002, no dividends were paid by the subsidiaries to Wintrust. In 2001 and 2000, the subsidiaries paid dividends to Wintrust totaling \$13.5 million and \$16.0 million, respectively.

The Company declared its first semi-annual cash dividend on its common stock in 2000. A summary of the Company's cash dividends on common stock is as follows:

Record Date	Payable Date	Per share amount of cash dividend
February 10, 2000	February 24, 2000	\$0.0333
August 10, 2000	August 24, 2000	\$0.0333
February 8, 2001	February 22, 2001	\$0.0467
August 9, 2001	August 23, 2001	\$0.0467
February 5, 2002	February 19, 2002	\$0.0600
August 6, 2002	August 20, 2002	\$0.0600
February 6, 2003	February 20, 2003	\$0.0800

The Company continues to target an earnings retention ratio of approximately 90% to support continued growth. The dividends paid in 2002 represented a 29% increase over the dividends paid in 2001. Along those same lines, the semi-annual dividend declared in January 2003 represents (on an annualized basis) a 33% increase over 2002.

In January 2000, the Board of Directors approved a stock repurchase program authorizing the purchase of up to 450,000 shares of common stock, from time to time, in open market or privately negotiated transactions. Through December 31, 2000, the Company repurchased a total of 363,450 shares at an average price of \$10.63 per share. The shares repurchased pursuant to this buyback program were reissued with the Company's common stock offering in June 2001. No additional shares were repurchased during 2001 or 2002.

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 total deposits less time deposits with balances greater than \$100,000. Approximately 61% of the Company's total

assets were funded by core deposits at the end of 2002 and 2001. The remaining assets were funded by other funding sources such as time deposits with balances in excess of \$100,000, 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 time deposits with balances in excess of \$100,000 are also a stable source of funds.

Liquid assets refer to money market assets such as Federal funds sold and interest bearing deposits with banks, as well as available-for-sale debt securities. Net liquid assets represent the sum of the liquid asset categories less the amount of assets pledged to secure public funds. At December 31, 2002, net liquid assets totaled approximately \$201.2 million, compared to approximately \$174.6 million at December 31, 2001.

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, 2002 and 2001, the Banks had approximately \$143.2 million and \$116.0 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

### ALLOWANCE FOR LOAN LOSSES

The following table summarizes the activity in the allowance for loan losses during the last five years (dollars in thousands):

	2002	2001	2000(1)	1999	1998
Balance at beginning of year	\$ 13,686	10,433	8,783	7,034	5,116
Provision for loan losses	10,321	7,900	5,055	3,713	4,297
Allowance acquired in business combination	-	-	-	175	-
Charge-offs:					
Commercial and commercial real estate loans	1,677	984	897	691	1,327
Home equity loans	-	25	-	-	27
Residential real estate loans	3	34	50	14	84
Consumer and other loans	294	34	103	132	198
Premium finance receivables	3,680	3,062	1,294	456	455
Indirect automobile loans	925	1,080	1,339	1,156	646
Tricom finance receivables	10	103	73	-	-
Total charge-offs	6,589	5,322	3,756	2,449	2,737
Recoveries:					
Commercial and commercial real estate loans	314	163	53	35	100
Home equity loans	-	72	-	-	13
Residential real estate loans	-	-	-	-	-
Consumer and other loans	26	1	5	6	76
Premium finance receivables	456	245	129	167	127
Indirect automobile loans	150	194	164	102	42
Tricom finance receivables	26	-	-	-	-
Total recoveries	972	675	351	310	358
Net charge-offs	(5,617)	(4,647)	(3,405)	(2,139)	(2,379)
Balance at end of year	\$ 18,390	13,686	10,433	8,783	7,034
Net charge-offs (recoveries) by category as a percent of average loans in respective category:					
Commercial and commercial real estate loans	0.12%	0.10%	0.15%	0.16%	0.42%
Home equity loans	-	(0.02)	-	-	0.01
Residential real estate loans	-	0.02	0.04	0.01	0.12
Consumer and other loans	0.44	0.05	0.18	0.26	0.12
Premium finance receivables	0.70	0.79	0.43	0.14	0.20
Indirect automobile loans	0.42	0.46	0.50	0.44	0.50
Tricom finance receivables	(0.08)	0.55	0.35	-	-
Total	0.24%	0.26%	0.24%	0.19%	0.28%
Net charge-offs as a percent of the provision for loan losses	54.42%	58.82%	67.36%	57.61%	55.36%
Year-end total loans	\$ 2,556,086	2,018,479	1,547,596	1,270,126	974,031
Allowance as a percent of year-end loans	0.72%	0.68%	0.67%	0.69%	0.72%

(1) In 2000, a \$4.3 million loss was recognized related to a fraudulent loan scheme perpetrated against the Company's premium finance subsidiary. The loss was reported as a separate line item in the non-interest expense section of the income statement. It was not reported as a charge-off since a valid lending relationship with the perpetrator had not been established.

Management believes that the loan portfolio is well diversified and well secured, without undue concentration in any specific risk area. Loan quality is continually monitored by management and is reviewed by the Banks' Boards of Directors and their Credit Committees on a monthly basis. Independent external reviews of the loan portfolio are provided by the examinations conducted by regulatory authorities and an independent loan review performed by an entity engaged by the Board of Directors. The amount of additions to the allowance for loan losses, which is charged to earnings through

the provision of loan losses, is determined based on management's assessment of the adequacy of the allowance for loan losses. Management evaluates on a quarterly basis a variety of factors, including actual charge-offs during the year, historical loss experience, delinquent and other potential problem loans, and economic conditions and trends in the market area in assessing the adequacy of the allowance for loan losses.

The allowance for loan losses as a percentage of total loans at December 31, 2002 and 2001 was 0.72% and 0.68%, respectively. As a percent of average total loans, total net charge-offs for 2002 and 2001 were 0.24% and 0.26%, respectively. While management believes that the allowance for loan losses is adequate to provide for losses inherent in the portfolio, there can be no assurances that future losses will not exceed the amounts provided for, thereby affecting future earnings.

The allowance for loan losses is maintained at a level believed adequate by management to cover losses inherent in the portfolio and is based on an assessment of individual problem loans, actual and anticipated loss experience and other pertinent factors. The allowance for loan losses consists of an allocated and unallocated component. The Company reviews potential problem loans on a case-by-case basis to allocate a specific dollar amount of reserves, whereas all other loans are reserved for based on assigned reserve percentages evaluated by loan groupings. The loan groupings utilized by the Company are commercial, commercial real estate, residential real estate, home equity, premium finance receivables, indirect automobile, Tricom finance receivables and consumer. The reserve percentages applied to these loan groups attempt to account for the inherent risk in the portfolio based upon various factors including industry concentration, geographical concentrations, local and national economic indicators, levels of delinquencies, historical loss experience including an analysis of the lack of maturity in the loan portfolio, changes in trends in risk ratings assigned to loans, changes in underwriting standards and other pertinent factors. The unallocated portion of the allowance for loan losses reflects management's estimate of probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet manifested themselves in the loss allocation factors. Management believes the unallocated portion of the allowance for loan losses is necessary due to the imprecision inherent in estimating expected future credit losses. The amount of future additions to the allowance for the 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.

The allowance for loan losses as of December 31, 2002, increased \$4.7 million to \$18.4 million from December 31, 2001, primarily due to growth of \$313.0 million, or 31%, in the commercial and commercial real estate portfolio and \$113.5 million, or 33%, in the premium finance receivables portfolio. The commercial and commercial real estate portfolios and the premium finance portfolio have traditionally experienced the highest level of charge-offs by the Company, along with the losses related to the indirect automobile portfolio. The level of the allowance for loan losses was not impacted significantly by changes in the amount or credit risk associated with the indirect automobile portfolio as the portfolio has decreased \$6.0 million from December 31, 2001 and the allocated loss has been reduced due to improvement in the delinquencies, underwriting standards and collection routines.

Commercial and commercial real estate loans represent the largest loan category in the Company's loan portfolio, accounting for 52% of total loans at December 31, 2002. Net charge-offs in this category totaled \$1.4 million, or 0.12% of average loans in this category in 2002, and \$821,000, or 0.10% of average loans in this category in 2001.

Premium finance receivable net charge-offs for the year ended December 31, 2002 totaled \$3.2 million as compared to \$2.8 million in 2001. Net charge-offs were 0.70% of average premium finance receivables in 2002 versus 0.79% in 2001. The decrease in the ratio of net charge-offs to average premium finance receivables in 2002 compared to 2001 is indicative of an improvement in the credit quality of this portfolio. The level of net charge-offs in 2001, and to a lesser extent in 2002, was attributable, in part, to accounts with smaller balances and higher delinquencies and charge-offs than the Company's traditional premium finance portfolio. As noted in last year's report, the Company eliminated more than 1,300 relationships with insurance agencies that were referring business to FIFC that had relatively smaller balances. The business associated with those terminated relationships has become a less significant percentage of the premium finance receivables portfolio and is nearly extinguished. As noted in the next section of this report, non-performing premium finance receivables as a percent of total premium finance receivables decreased to 1.50% at December 31, 2002, from 2.36% at December 31, 2001.

In 2000, the Company recorded a pre-tax charge of \$4.3 million as a result of 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 \$4.3 million charge was recorded on its own separate line item in the income statement. Management believes that it was appropriate to exclude this loss from the loan charge offs since a valid lending relationship with the perpetrator had not been established, and it would distort the Company's historical loss experience.

Indirect auto loan net charge-offs decreased to \$775,000 in 2002, compared to \$886,000 in 2001. Net charge-offs as a percentage of average indirect auto loans were 0.42% in 2002 and 0.46% in 2001.

#### 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. The information in the table should be read in conjunction with the detailed discussion following the table. (dollars in thousands):

	2002	2001	2000	1999	1998
-----					
Loans past due greater than 90 days and still accruing:					
Residential real estate and home equity	\$ 32	168	-	385	459
Commercial, consumer and other	3,047	1,059	651	328	341
Premium finance receivables	2,198	2,402	4,306	1,523	1,214
Indirect automobile loans	423	361	397	391	274
Tricom finance receivables	-	-	-	-	-
Total loans past due greater than 90 days and still accruing	5,700	3,990	5,354	2,627	2,288
-----					
Non-accrual loans:					
Residential real estate and home equity	711	1,385	153	-	99
Commercial, consumer and other	1,132	1,180	617	1,895	1,388
Premium finance receivables	4,725	5,802	3,338	2,145	1,455
Indirect automobile loans	254	496	221	298	195
Tricom finance receivables	20	104	-	-	-
Total non-accrual loans	6,842	8,967	4,329	4,338	3,137
-----					
Total non-performing loans:					
Residential real estate and home equity	743	1,553	153	385	558
Commercial, consumer and other	4,179	2,239	1,268	2,223	1,729
Premium finance receivables	6,923	8,204	7,644	3,668	2,669
Indirect automobile loans	677	857	618	689	469
Tricom finance receivables	20	104	-	-	-
Total non-performing loans	12,542	12,957	9,683	6,965	5,425
-----					
Other real estate owned	76	100	-	-	587
Total non-performing assets	\$ 12,618	13,057	9,683	6,965	6,012
-----					
Total non-performing loans by category as a percent of it own respective category:					
Residential real estate and home equity	0.14%	0.39%	0.05%	0.16%	0.30%
Commercial, consumer and other	0.30	0.21	0.18	0.41	0.43
Premium finance receivables	1.50	2.36	2.44	1.67	1.50
Indirect automobile loans	0.38	0.47	0.30	0.27	0.22
Tricom finance receivables	0.10	0.57	-	-	-
Total non-performing loans	0.49%	0.64%	0.63%	0.55%	0.56%
-----					
Total non performing assets as a percent of total assets	0.34%	0.48%	0.46%	0.41%	0.45%
-----					
Allowance for loan losses as a percent of non-performing loans	146.63%	105.63%	107.75%	126.10%	129.66%
=====					

#### Non-performing Residential Real Estate,

Commercial, Consumer and Other Loans Total non-performing loans for the Company's traditional banking loan portfolios of residential real estate, commercial, consumer and other loans were \$4.9 million as of December 31, 2002 up from \$3.8 million reported at December 31, 2001. These loans consist primarily of a small number of commercial, residential real estate and home equity loans, which management believes are well secured and in process of collection. The small number of such non-performing loans allows management to monitor the status of these credits and work with the borrowers to resolve these problems effectively. The non-performing residential real estate and home equity loans decreased by \$810,000 from the December 31, 2001 balance and represented 0.14% of such outstanding loans at December 31, 2002. The non-performing commercial, commercial real estate and consumer loans increased \$1.9 million from the December 31, 2001 balance and represented 0.30% of such outstanding loans at December 31, 2002, compared to 0.21% as of December 31, 2001. The Company had \$76,000 and \$100,000 of other real estate owned as of December 31, 2002 and December 31, 2001, respectively.

**Non-performing Premium Finance Receivables** The table below presents the level of non-performing premium finance receivables as of December 31, 2002 and 2001, and the amount of net charge-offs for the years then ended.

	2002	2001
Non-performing premium finance receivables	\$ 6,923,000	8,204,000
- as a percent of premium finance receivables	1.50%	2.36%
Net charge-offs of premium finance receivables	\$ 3,224,000	2,817,000
- as a percent of average		

premium finance receivables 0.70% 0.79%

The improvement in the level on non-performing premium finance receivables since December 31, 2001 is indicative of actions taken by management. As noted in Wintrust's prior year's report and its 2002 quarterly reports, Wintrust has eliminated more than 1,300 relationships with insurance agents that were referring new business to our premium finance subsidiary that had relatively small balances and higher than normal delinquency rates. The business associated with those accounts has become a less significant percent of the entire portfolio and is nearly extinguished. Management continues to see progress in this portfolio and continues to expect the level of non-performing loans related to this portfolio to remain at relatively low levels.

The ratio of non-performing premium finance receivables fluctuates throughout the year due to the nature and timing of canceled account collections from insurance carriers. Due to the nature of collateral for premium finance receivables it customarily takes 60 - 150 days to convert the collateral into cash collections. Accordingly, the level of non-performing premium finance receivables is not necessarily indicative to the loss inherent in the portfolio. In the event of default, Wintrust has the ability 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 \$677,000 at December 31, 2002, decreasing from \$857,000 at December 31, 2001. The ratio of these non-performing loans to total indirect automobile loans stood at 0.38% of total indirect automobile loans at December 31, 2002, and 0.47% at December 31, 2001. The level of non-performing and net charge-offs of indirect automobile loans continues to be below standard industry ratios for this type of lending. Due to the impact of the current economic and competitive environment surrounding this type of lending, management continues to de-emphasize, in relation to other loan categories, growth in the indirect automobile loan portfolio. Indirect automobile loans at December 31, 2002 were \$178.2 million, down from \$184.2 million at December 31, 2001.

#### Potential Problem Loans

Management believes that any loan where there are serious doubts as to the ability of such borrowers to comply with the present loan repayment terms should be identified as a non-performing loan and should be included in the disclosure of "Past Due Loans and Non-performing Assets". Accordingly, at the periods presented in this report, the Company has no potential problem loans as defined by Securities and Exchange Commission regulations.

### Credit Quality Review Procedures

The Company utilizes a loan rating system to assign risk to loans and utilizes that risk rating system to assist in developing an internal problem loan identification system ("Watch List") as a means of reporting non-performing and potential problem loans. At each scheduled meeting of the Boards of Directors of the Banks and the Wintrust Risk Management Committee, a Watch List is presented, showing all loans that are non-performing and loans that may warrant additional monitoring. Accordingly, 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 Watch List, which exhibit a higher than normal credit risk. These Watch List credits are reviewed individually by management to determine whether any specific reserve amount should be allocated for each respective credit. However, these loans are still performing and, accordingly, are not included in non-performing loans. Management's philosophy is to be proactive and conservative in assigning risk ratings to loans and identifying loans to be included on the Watch List. The principal amount of loans on the Company's Watch List as of December 31, 2002 and December 31, 2001, was approximately \$34.3 million and \$20.2 million, respectively. We believe these loans are performing and, accordingly, do not cause management to have serious doubts as to the ability of such borrowers to comply with the present loan repayment terms.

### 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, 2002, except for loans included in the premium finance operating segment.

### 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. See "Asset-Liability Management" section of this report.

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

- o The level of reported net income, return on average assets and return on average equity for the Company will in the near term continue to be impacted by start-up costs associated with de novo bank formations, branch openings, and expanded wealth management operations. De novo banks 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 wealth management services through the Company's acquisition of the Wayne Hummer Companies and Lake Forest Capital Management will depend on the successful integration of these businesses.
- o The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.

o Although management believes the allowance for loan losses is adequate to absorb losses inherent in the existing portfolio of loans and leases, there can be no assurance that the allowance will prove sufficient to cover actual loan or lease losses.

o If market interest rates should move contrary to the Company's gap position on interest earning assets and interest bearing liabilities, the "gap" will work against the Company and its net interest income may be negatively affected.

o The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.

o The Company's ability to adapt successfully to technological changes to compete effectively in the marketplace.

o Unforeseen future events that may cause slower than anticipated development and growth of the Tricom business and/or changes in the temporary staffing industry.

o Changes in the economic environment, competition, or other factors, may influence the anticipated growth rate of loans and deposits, the quality of the loan portfolio and the pricing of loans and deposits, and may affect the Company's ability to successfully pursue acquisition and expansion strategies.

o The conditions in the financial markets and economic conditions generally, as well as unforeseen future events surrounding the wealth management business, including competition and related pricing of brokerage, trust and asset management products.

## **DIRECTORS & OFFICERS**

### **WINTRUST FINANCIAL CORPORATION**

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#### **DIRECTORS--CURRENT**

Peter D. Crist  
Bruce K. Crowther  
Bert A. Getz, Jr.  
Philip W. Hummer  
John S. Lillard (Chairman)  
James B. McCarthy  
Marguerite Savard McKenna  
Albin F. Moschner  
Thomas J. Neis  
Hollis W. Rademacher  
J. Christopher Reyes  
John J. Schornack  
Ingrid S. Stafford  
Edward J. Wehmer

#### **DIRECTORS--RETIRED**

Joseph Alaimo  
William C. Graft  
Raymond L. Kratzer  
Dorothy M. Mueller  
Christopher J. Perry  
Penelope J. Randel  
Peter P. Rusin  
John N. Schaper  
Katharine V. Sylvester  
Larry V. Wright  
Maurice F. Dunne, Jr. (Emeritus)  
Lemuel H. Tate (Emeritus)

#### **OFFICERS**

Edward J. Wehmer  
President & Chief Executive Officer  
David A. Dykstra  
Senior Executive Vice President & Chief Operating Officer Lloyd M. Bowden  
Executive Vice President/Technology  
James F. Duca, II  
Executive Vice President/Wealth Management Robert F. Key  
Executive Vice President/Marketing  
Richard B. Murphy  
Executive Vice President &  
Chief Credit Officer  
David L. Stoehr  
Executive Vice President &  
Chief Financial Officer  
Barbara A. Kilian  
Senior Vice President/Finance  
Michael A. Cherwin  
Vice President/Human Resources  
T. Tolbert Chisum  
Director/New Business Development  
Matthew E. Doubleday  
Vice President/Niche Marketing  
David J. Galvan  
Vice President/Investments  
Raj V. Nagarajan  
Vice President/Director of Internal Audit Richard J. Pasminski  
Vice President/Controller  
Jay P. Ross  
Vice President/Database Marketing  
Jolanta K. Slusarski  
Vice President/Compliance & Best Practices Stacey L. Herman

Assistant Vice President/Finance  
Helene A. Torrenga  
Assistant Vice President/Finance  
Natalie A. Meissner  
Senior Marketing Manager

## **LAKE FOREST BANK & TRUST COMPANY**

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### **DIRECTORS**

Maxine P. Farrell  
Randolph M. Hibben  
Eugene Hotchkiss  
Howard Kerr  
John S. Lillard  
Frank Mariani  
John J. Meierhoff  
Albin F. Moschner  
Joseph Pasquesi  
Hollis W. Rademacher  
J. Christopher Reyes  
Ellen Stirling  
Edward J. Wehmer  
Maurice F. Dunne, Jr. (Emeritus)  
Francis Farwell (Emeritus)  
Moris T. Hoversten (Emeritus)

### **EXECUTIVE OFFICERS**

Randolph M. Hibben  
Chairman & Chief Executive Officer  
John J. Meierhoff  
President & Chief Operating Officer  
Rachele L. Wright  
President-Bank of Highwood-Fort Sheridan Mary Beth Jones  
President-West Lake Forest  
Sandra McCraren  
President-Highland Park

### **LOANS**

Kurt K. Prinz  
Executive Vice President/Senior Credit Officer Kathryn Walker-Eich  
Executive Vice President/Commercial Lending Stephen L. Madden Senior  
Vice President/Commercial Lending  
Janice C. Nelson Senior  
Vice President/Consumer Lending  
Jennifer Z. Brooks  
Vice President/Lending  
Lori Higgins  
Vice President/Loan Administration  
Stephen Milota  
Vice President/Commercial Lending  
Mary Satherlie  
Vice President/Lending  
Gina Stec  
Vice President/Commercial Lending

## **LAKE FOREST BANK (CONTINUED)**

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Laura Cascarano  
Assistant Vice President/Lending  
Pat McNeilly Assistant  
Vice President/Lending  
James C. Miller  
Assistant Vice President/MMF Leasing Services Susan Potash  
Assistant Vice President/Lending  
Maria Santello  
Assistant Vice President/Lending  
Christopher Baker  
Commercial Loan Officer  
Todd K. Grubich  
Commercial Loan Officer  
Jane Kriens  
Loan Administration Officer

### **PERSONAL BANKING**

Lynn Van Cleave  
Senior Vice President/Personal Banking  
Thomas Groth  
Vice President/Personal Banking  
Twila D. Hungerford  
Vice President//Personal Banking & Manager-Lake Bluff Judy Moloney  
Vice President/Personal Banking  
Dennis Carani  
Assistant Vice President/Personal Banking Piera Dallabattista  
Assistant Vice President/Personal Banking Amy Boyle Personal Banking Officer  
Barbara Kubas Personal Banking Officer  
Michelle Parnell  
Personal Banking Officer  
Shilpa Patel  
Personal Banking Officer  
April Thompson  
Personal Banking Officer

### **OPERATIONS/FINANCE/OTHER**

Mary Ann Gannon  
Senior Vice President/Operations  
Richard J. Pasminski  
Vice President/Controller  
Margaret Zacher  
Assistant Vice President/Accounting  
Kathleen E. Bickmore  
Assistant Vice President/Operations  
Marci Miller  
Teller Operations Officer  
Andrea Levitt  
Administration Officer  
Jo Marie Loesch  
Operations Officer  
Carolyn P. Szymanski  
Public Relations Officer

## **HINSDALE BANK & TRUST COMPANY**

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### **DIRECTORS**

Peter D. Crist  
Diane Dean  
Donald Gallagher  
Elise Grimes  
Robert D. Harnach  
Dennis J. Jones

Douglas J. Lipke  
James B. McCarthy  
James P. McMillin  
Mary Martha Mooney  
Richard B. Murphy  
Margaret O'Brien Stock  
Hollis W. Rademacher  
Ralph J. Schindler  
Katharine V. Sylvester  
Robert Thompson  
Edward J. Wehmer  
Lorraine Wolfe  
Frank J. Murnane, Sr. (Emeritus)  
Joel Nelson (Emeritus)

**EXECUTIVE OFFICERS**

Dennis J. Jones  
Chairman & Chief Executive Officer  
Richard B. Murphy  
President & Chief Operating Officer  
Roberta L. Head  
President-Riverside Bank  
David J. LaBrash  
President-Clarendon Hills Bank  
Stephen C. Pleimling  
President-The Community Bank of  
Western Springs

**LOANS**

Edward J. Farrel  
Senior Vice President/Lending  
Mark Hale  
Senior Vice President/Lending  
Kay M. Olenec  
Senior Vice President/Mortgages  
Richard J. Stefanski  
Senior Vice President/Indirect Lending  
Eric C. Westberg  
Senior Vice President/Mortgages  
Phyllis Long  
Vice President/Lending

## HINSDALE BANK (CONTINUED)

---

Robert D. Meyrick  
Vice President/Indirect Lending  
Timothy S. Murphy  
Vice President/Indirect Lending  
Cora Mae Corley  
Assistant Vice President/Lending  
Pat L. Gray  
Assistant Vice President/Lending  
Brad R. Hettich  
Assistant Vice President/Lending  
Kathy R. Oergel  
Assistant Vice President/Lending  
Jason N. Bledsoe  
Consumer Loan Officer  
Maria Chialdikis  
Loan Processing Officer  
Cheryl M. Cummings  
Loan Processing Officer  
Matthew R. Corley  
Commercial Loan Officer  
Lori C. Ritzert  
Consumer Loan Officer

### **PERSONAL BANKING/OPERATIONS**

Anne M. O'Neill  
Senior Vice President/Operations  
Michelle A. Kennedy  
Vice President/Controller  
Holly A. Bishop  
Assistant Vice President/Personal Banking Amy J. Boburka  
Assistant Vice President/Personal Banking Esther Cook  
Assistant Vice President/Personal Banking Carol E. Franzo  
Assistant Vice President/Personal Banking Kim E. Fernandez  
Assistant Vice President/Personal Banking Michelle Paetsch  
Assistant Vice President/Personal Banking Elizabeth D. Reis  
Assistant Vice President/Personal Banking Patricia A. Mayo  
Operations Officer  
Rhonda M. Sippel  
Accounting Officer

### **NORTH SHORE COMMUNITY BANK & TRUST COMPANY**

---

#### **DIRECTORS**

Gilbert W. Bowen  
T. Tolbert Chisum  
Thomas J. Dammrich  
John W. Haben  
Randolph M. Hibben  
Gayle Inbinder  
L. Hamilton Kerr, III  
Donald F. Krueger  
Thomas J. McCabe, Jr.  
Marguerite Savard McKenna  
Robert H. Meeder  
Donald L. Olson  
Hollis W. Rademacher  
John J. Schornack  
Ingrid S. Stafford  
Elizabeth C. Warren  
Edward J. Wehmer  
Stanley R. Weinberger  
Richard J. Witry

Maurice F. Dunne, Jr. (Emeritus)  
James Fox (Emeritus)  
Lemuel H. Tate (Emeritus)

**EXECUTIVE OFFICERS**

L. Hamilton Kerr, III  
Chairman & Chief Executive Officer  
Robert H. Meeder  
President & Chief Operating Officer  
Donald F. Krueger  
Executive Vice President/Operations  
James L. Sefton  
Executive Vice President/Senior Credit Officer Laretta M. Burke  
Senior Vice President/Commercial Lending

**LOANS**

John P. Burk  
Vice President/Commercial Lending  
Robert Clausen  
Vice President/Commercial Lending  
James McClamroch  
Vice President/Commercial Lending  
Ann T. Tyler  
Vice President/Loan Administration  
James P. Waters  
Vice President/Commercial Banking Services Richard Chan  
Assistant Vice President/Lending  
Romelia Lemus  
Assistant Vice President/Lending  
Steve Bailen  
Loan Officer  
Jaki Pearl  
Loan Operations Officer

**RESIDENTIAL REAL ESTATE**

Mark A. Stec  
Senior Vice President/Mortgages  
Mary Carole Gavula  
Vice President/Mortgages  
Susan Mundy  
Vice President/Mortgages  
Kelly Mishka  
Loan Operations Officer

**PERSONAL BANKING**

Connie Berman  
Vice President/Personal Banking & Manager-Winnetka Leslie A. Niemark  
Vice President/Personal Banking & Manager-Glencoe Diane Schwartz  
Vice President/Personal Banking & Manager-Skokie Catherine W. Biggam  
Assistant Vice President/Personal Banking Ingrid Brewer  
Assistant Vice President/Personal Banking Michael T. Donnelly  
Assistant Vice President/Personal Banking & Manager-Wilmette Eric I. Jordan  
Assistant Vice President/Personal Banking Maureen A. Nicholl  
Assistant Vice President/Personal Banking Mi Balderas  
Personal Banking Officer

## **NORTH SHORE COMMUNITY BANK (CONTINUED)**

---

John Bodel  
Personal Banking Officer  
Beatrice Borre  
Personal Banking Officer  
Kimberly Davis  
Personal Banking Officer  
Adelia Lawson  
Personal Banking Officer  
Melissa O'Malley  
Personal Banking Officer  
David Sweeney  
Personal Banking Officer

### **FINANCE/OPERATIONS**

John A. Barnett  
Vice President/Controller  
Jennifer A. Kocour  
Assistant Vice President/Human Resources & Marketing Angelica Escobar  
Assistant Controller  
J. Robert Marrs  
Operations Manager  
Karin Jacobson  
Assistant Teller Manager

## **LIBERTYVILLE BANK & TRUST COMPANY**

---

### **DIRECTORS**

Neville Carr  
Bert Carstens  
Joseph F. Damico  
David A. Dykstra  
Bert A. Getz, Jr.  
Donald Gossett  
Jeffrey Harger  
James Mahoney  
Richard Nakon  
William Newell  
Hollis W. Rademacher  
John N. Schaper  
Jane Stein  
Jack Stoneman  
Edward J. Wehmer  
Edward Werdell

### **EXECUTIVE OFFICERS**

Bert Carstens  
Chairman & Chief Executive Officer  
Edward Werdell  
President & Chief Operating Officer  
Crystal McClure  
President-Wauconda Community Bank

### **COMMERCIAL BANKING**

Brian Mikaelian  
Executive Vice President/Senior Credit Officer William Westerman  
Executive Vice President/  
Commercial Lending  
Betty Berg  
Vice President/Commercial Banking Services John Brennan  
Vice President/Commercial Lending  
Michael Buchert  
Vice President/Commercial Lending

Ronald Schroeder  
Vice President/Commercial Lending  
Randolph Webster  
Vice President/Commercial Lending  
Rosemarie Garrison  
Commercial Mortgage Officer  
Barbra Meyer  
Credit Administration Officer

**RESIDENTIAL REAL ESTATE**

Michael Spies  
Vice President/Residential Real Estate  
Brenda O'Toole  
Manager/Residential Real Estate  
Thomas Eardley  
Mortgage Representative  
Judy Franks  
Mortgage Representative

**PERSONAL BANKING**

Sharon Worlin  
Senior Vice President/Personal Banking  
Ursula Schuebel  
Vice President/Personal Banking  
Karen Bouas  
Assistant Vice President/Personal Banking Bobbie Callese  
Assistant Vice President/Personal Banking Deborah Motzer  
Assistant Vice President/Personal Banking Julie Rolfsen  
Assistant Vice President/Personal Banking Karen Schmidt  
Assistant Vice President/Personal Banking Colleen Turley  
Assistant Vice President/Personal Banking Irene Huff Personal Banking Officer  
Cindy Tysland  
Personal Banking Officer  
Rachel Vincent  
Personal Banking Officer

**OPERATIONS/FINANCE**

Suzanne Chamberlain  
Vice President/Operations  
Lynn Wiacek  
Vice President/Controller

**LIBERTYVILLE BANK (CONTINUED)**

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Linda Terrian  
Assistant Controller  
Angela Atterbury  
Operations Officer  
Joy Botsford  
Operations & Loan Administration Officer  
Maria Hurtado  
Operations Officer  
Dwayne Nicholson  
Operations & MIS Officer

**BARRINGTON BANK & TRUST COMPANY, N.A.**

---

**DIRECTORS**

James H. Bishop  
Raynette Boshell  
Edwin C. Bruning  
Dr. Joel Cristol  
Bruce K. Crowther  
Scott A. Gaalaas  
William C. Graft  
Kathleen R. Horne  
Peter Hyland  
Carol M. Nelson  
Sam Oliver  
Mary F. Perot  
Hollis W. Rademacher  
Peter P. Rusin  
George L. Schueppert  
Dr. Richard Smith  
Richard P. Spicuzza  
W. Bradley Stetson  
Charles VanFossan  
Edward J. Wehmer  
Tim Wickstrom

**EXECUTIVE OFFICERS**

James H. Bishop  
Chairman  
W. Bradley Stetson  
President & Chief Executive Officer  
Jon C. Stickney  
Executive Vice President/Senior Lender  
Georgeanna Mehr  
President-Hoffman Estates Community Bank

**LOANS**

Linda J. Schiff  
Senior Vice President/Lending & President-Community Advantage Burke A. Groom  
Vice President/Lending  
John D. Haniotes  
Vice President/Lending  
Christopher P. Marrs  
Vice President/Lending  
Peter J. McDaniel  
Vice President/Lending  
Charlotte Neault  
Vice President/Lending  
Peter J. Santangelo  
Vice President/Lending  
Barbara E. Tomasello  
Vice President/Mortgages

Karen G. Smith  
Loan Administration Officer  
Kathy E. Zuniga  
Loan Operations Officer

**PERSONAL BANKING/OPERATIONS**

Paul R. Johnson  
Vice President/Retail Banking  
James Weiler  
Vice President/Controller  
Patricia A. Mitchell  
Operations Officer  
Christine M. Sherman  
Personal Banking Officer  
Lana A. Smart  
Personal Banking Officer

**DIRECTORS**

Ronald Bykowski  
Charles D. Collier  
Donald Franz  
John W. Fuhler  
Diana Kenney  
Dorothy M. Mueller  
Thomas J. Neis  
Marshall Pedersen  
Anthony Pintozzi Jr.  
Ormel J. Prust  
Hollis W. Rademacher  
Candy Reedy  
Nancy Riley  
Robert Robinson  
Robert C. Staley  
James N. Thorpe  
Edward J. Wehmer  
Henry L. Cowlin (Emeritus)

**EXECUTIVE OFFICERS**

Charles D. Collier  
Chairman & Chief Executive Officer  
James N. Thorpe  
President & Chief Operating Officer  
Pam Umbarger  
Senior Vice President/Operations  
Joseph L. McVicker  
President-Cary Bank & Trust  
Phillip R. Oeffling  
President-McHenry Bank & Trust  
Ormel J. Prust  
Executive Vice President-McHenry Bank & Trust

**LOANS**

Monica A. Garver  
Vice President & Manager/  
Residential Loans  
Mark J. Peteler  
Vice President-NorthAmerican  
Aviation Finance  
Joan M. Bassak  
Vice President-NorthAmerican  
Aviation Finance  
Rosemarie Smith  
Vice President/Lending  
Brian R. Fowler  
Commercial Banking Officer

**PERSONAL BANKING/OPERATIONS**

Pamela L. Bialas  
Assistant Vice President/Personal Banking Peter S. Fidler  
Controller

**NORTHBROOK BANK & TRUST COMPANY**

---

**DIRECTORS**

Patrick J. Caruso  
Daniel E. Craig  
David A. Dykstra  
Rockwood S. Edwards  
Joel S. Garson

Amy C. Kurson  
David P. Masters  
Hollis W. Rademacher  
Penelope J. Randel  
Richard C. Rushkewicz  
Todd W. Stetson  
Edward J. Wehmer (Chairman)

**EXECUTIVE OFFICERS**

Richard C. Rushkewicz  
President & Chief Executive Officer  
David P. Masters  
Executive Vice President/Lending

**LOANS**

Kathryn A. Nellis  
Vice President/Lending  
Lewis Korompilas  
Loan Officer & Manager-Residential Loans

**PERSONAL BANKING**

Kenneth E. Tremaine  
Senior Vice President/Personal Banking  
Marla S. Giblichman  
Personal Banking Officer  
Patricia A. Klingeman  
Personal Banking Officer

**OPERATIONS/FINANCE**

Edward W. Bettenhausen  
Senior Vice President/Operations & Finance Rosemarie D. Mann  
Assistant Vice President/Operations

**DIRECTORS**

Steven R. Becker  
James F. Duca, II  
David A. Dykstra  
Philip W. Hummer  
L. Hamilton Kerr, III  
Laura A. Kogut  
Raymond L. Kratzer  
John S. Lillard  
Robert L. Meyers  
Hollis Rademacher  
Edward J. Wehmer (Chairman)  
Richard Wholey

**EXECUTIVE OFFICERS**

Raymond L. Kratzer  
President & Chief Executive Officer  
George T. "Ted" Becker  
Executive Vice President & Chief Financial Officer  
Laura A. Kogut  
Executive Vice President & Chief Operations Officer

**INVESTMENTS**

Linda Becker  
Senior Vice President/Investments  
Steven R. Becker  
Senior Vice President/Investments  
Philip M. Burno  
Senior Vice President/Investments  
W. Douglas Carroll  
Senior Vice President/Investments  
Daniel G. Hack  
Senior Vice President/Investments  
Philip W. Hummer  
Senior Vice President/Investments  
William B. Hummer  
Senior Vice President/Investments  
Richard J. Kosarek  
Senior Vice President/Investments  
Luigi E. Mancusi  
Senior Vice President/Investments  
David P. Poitras  
Senior Vice President/Investments  
Richard Wholey  
Senior Vice President/Investments  
H. Flagg Baum  
First Vice President/Investments  
Victor Baum  
First Vice President/Investments  
Katherine Burno  
First Vice President/Investments  
Peder Culver  
First Vice President/Investments  
John Fritzell  
First Vice President/Investments  
Jeffry P. Kraus  
First Vice President/Investments  
J. Daniel Hansen  
First Vice President/Investments  
Robert A. Hon  
First Vice President/Investments  
Patricia A. Marsh  
First Vice President/Investments  
P. Scott Park  
First Vice President/Investments

Joseph A. Piekarczyk  
First Vice President/Investments  
Brian Siegel  
First Vice President/Investments  
Floyd Siegel  
First Vice President/Investments  
R. Daniel Steele  
First Vice President/Investments  
John C. Tyrpin  
First Vice President/Investments  
Ronald A. Tyrpin  
First Vice President/Investments  
Errett Van Nice  
First Vice President/Investments  
Lawrence H. Weisz  
First Vice President/Investments  
Jean Williams  
First Vice President/Investments  
James J. Bann  
Vice President/Investments  
Vincent Cannova  
Vice President/Investments  
Paul Cetera  
Vice President/Investments  
Steven Diamond  
Vice President/Investments  
Larry Doody  
Vice President/Investments  
John Frazak  
Vice President/Investments  
Thomas J. Fulscher  
Vice President/Investments  
Shawn Gretzinger  
Vice President/Investments  
Donald A. Kennedy  
Vice President/Investments  
Grove N. Mower  
Vice President/Investments  
Michael J. Phillipp  
Vice President/Investments

#### **SALES/MARKETING**

Robert A. Stuber  
Sales Manager  
Kellie Dolliver  
Department Manager/Marketing & Communications

#### **OPERATIONS/OTHER**

Paul Carroll  
Director/Information Technology  
Kathy Darcy  
Director/Operations  
Mary McCarthy  
Director/Internal Controls & Purchase & Sales William Reilly  
Controller  
Elliott Silver  
Director/Compliance  
Erica Fox  
Manager/Office  
Marylin Hederman  
Manager/Equity Trading  
Thomas Kiernan  
Manager/Fixed Income Trading  
William Reynolds  
Manager/OTC Trading  
Maureen Valentine Manager/New Accounts  
Rainer Woosman



## WAYNE HUMMER INVESTMENTS (CONTINUED)

---

Diane Hogan  
Assistant Manager/Operations  
Jonathan Stanislav  
Assistant Manager/Operations  
Barbara Danks  
Supervisor/Retirement Plans  
Mariusz Niedbalec  
Supervisor/Internal Controls  
Leonard Smith  
Supervisor/Distribution  
Anna Solus Supervisor/Year End, Dividends & Interest Paul Wascher  
Supervisor/Purchase & Sales  
James Zaczyk  
Supervisor/Reorganizations  
Lynn Reynolds  
Department Manager/Purchase & Sales  
Matthew Stasko  
Department Manager/Credit

## FOCUSED INVESTMENTS L.L.C.

---

### DIRECTORS

James F. Duca, II  
David A. Dykstra  
Laura A. Kogut (Chairman)  
Raymond L. Kratzer  
Edward J. Wehmer

### EXECUTIVE OFFICERS

Laura A. Kogut  
President & Chief Executive Officer  
Jenny J. Charles  
Chief Operations Officer  
Ken M. DiFrancesca  
Executive Vice President/Sales & Marketing Daniel J. Marks  
Financial Officer  
Michelle Biondo  
Director/Compliance

## WAYNE HUMMER TRUST COMPANY, N.A.

---

### DIRECTORS

Joseph Alaimo (Chairman)  
Mark H. Dierkes  
James F. Duca, II  
David A. Dykstra  
Bert A. Getz, Jr.  
Philip W. Hummer  
Raymond L. Kratzer  
John S. Lillard  
Sandy A. Lincoln  
David P. Poitras  
Hollis W. Rademacher  
James P. Richter  
Thomas J. Rowland  
Richard P. Spicuzza  
Robert C. Staley  
Edward J. Wehmer (Vice Chairman)  
Stanley R. Weinberger

### EXECUTIVE OFFICERS

James F. Duca, II  
President & Chief Executive Officer  
Laura A. Kogut  
Chief Operations Officer

**OFFICERS**

Kenneth H. Cooke  
Vice President/Trust Officer  
David D. Cox  
Vice President/Portfolio Manager  
Jennifer L. Czerwinski  
Vice President/Trust Officer  
Mark H. Dierkes  
Vice President/Portfolio Manager  
Edward W. Edens  
Vice President/Portfolio Manager  
Susan C. Gavinski  
Vice President/Trust Officer  
Amy G. Howes  
Vice President/Portfolio Manager  
Ethel R. Kaplan  
Vice President/Trust Officer  
Elizabeth Karabatsos  
Vice President/Trust Officer  
Timothy J. Keefe  
Vice President/Trust Officer  
Gerard B. Leenheers  
Vice President/Portfolio Manager

## WAYNE HUMMER TRUST (CONTINUED)

---

Robert L. Meyers  
Vice President/Managing Director  
Anita E. Morris  
Vice President/Trust Officer  
Laura H. Olson  
Vice President/Trust Officer  
James P. Richter  
Vice President/Managing Director  
Thomas J. Rowland  
Vice President/Portfolio Manager  
Sandra L. Shinsky  
Vice President/Trust Officer  
Kay Stevens  
Vice President/Trust Officer  
Ann Wiesbrock  
Vice President/Trust Officer  
Maria Bora  
Assistant Vice President/Trust Officer  
Virginia Primack  
Assistant Vice President/Trust Officer  
Judith McAndrew  
Trust Officer

## WAYNE HUMMER ASSET MANAGEMENT COMPANY

---

### **DIRECTORS**

Joseph Alaimo  
Mark H. Dierkes  
James F. Duca, II  
David A. Dykstra  
Bert A. Getz, Jr.  
Philip W. Hummer  
Raymond L. Kratzer  
John S. Lillard  
Sandy A. Lincoln  
David P. Poitras  
Hollis W. Rademacher  
James P. Richter  
Thomas J. Rowland  
Richard P. Spicuzza  
Robert C. Staley  
Edward J. Wehmer  
Stanley R. Weinberger

### **EXECUTIVE OFFICERS**

James F. Duca, II  
President & CEO  
George T. "Ted" Becker  
Chief Financial Officer

### **OFFICERS**

Mark H. Dierkes  
Managing Director/First Vice  
President  
Philip W. Hummer  
Managing Director  
Sandy A. Lincoln  
Managing Director/Vice President  
Robert L. Meyers  
Managing Director  
David P. Poitras  
Managing Director/First Vice

President  
James P. Richter  
Managing Director  
Thomas J. Rowland  
Managing Director/First Vice  
President  
David D. Cox  
Vice President/Portfolio Manager  
Richard O'Hara  
Vice President/Equity Research  
Amy G. Howes  
Vice President/Portfolio Manager  
Damaris E. Martinez  
Vice President/Administration  
Jean M. Maurice  
Treasurer

## **FIRST INSURANCE FUNDING CORP.**

---

### **DIRECTORS**

Frank J. Burke  
David A. Dykstra  
Hollis W. Rademacher  
Edward J. Wehmer (Chairman)

### **EXECUTIVE OFFICERS**

Frank J. Burke  
President & Chief Executive Officer  
Robert G. Lindeman  
Executive Vice President/  
Information Technology  
Mark A. Steenberg  
Executive Vice President/Operations

### **FINANCE/MARKETING/OPERATIONS**

Michelle H. Perry  
Senior Vice President & Chief Financial Officer  
Matthew E. Doubleday  
Senior Vice President/Marketing  
Mark C. Lucas  
Senior Vice President/Asset  
Management  
G. David Wiggins  
Senior Vice President/Loan  
Origination  
Kimberly J. Malizia  
Vice President/Cash Management  
John W. Dixon  
Vice President/General Counsel  
Amy J. Evola  
Vice President/Inside Sales  
Mary Kay Francel  
Assistant Vice President/Cash  
Management  
Russell L Goldstein  
Assistant Vice President/Specialty Business

## **TRICOM, INC. OF MILWAUKEE**

---

### **DIRECTORS**

Julie Ann Blazei  
David A. Dykstra  
Dennis J. Jones  
John Leopold (Chairman)  
Marge Stock  
Hollis W. Rademacher  
James McMillin  
Edward J. Wehmer

### **SENIOR STAFF**

Julie Ann Blazei  
President  
Rick Gehrke  
Cash Management Manager  
Mary Jo Heim  
Accounting Manager  
Sandra Sell  
Credit Manager & Account  
Executive  
Linda Walsch  
Payroll Services Manager

**DIRECTORS**

Lloyd M. Bowden  
Paul Carroll  
James F. Duca, II  
David A. Dykstra  
Mary Ann Gannon,  
Donald F. Krueger  
Robert G. Lindeman  
David P. Masters  
Richard B. Murphy  
Linda J. Schiff  
Brian Schwartz  
Jolanta K. Slusarski  
Pam Umbarger

**OFFICERS**

Lloyd M. Bowden  
President & Chief Executive Officer  
Candace M. Schulze  
Data Center Manager  
Sue Greffin  
Internet Banking Manager  
Tara Delaney-Grimes  
Item Imaging Manager  
Elizabeth K. Pringle  
Office Manager  
Dennis Brower  
Senior Network Engineer  
Glenn Ritchie  
Senior Systems Engineer  
Ron Henriksen  
Advanced Network Engineer

## **CORPORATE LOCATIONS**

### **WINTRUST FINANCIAL CORPORATION**

[www.wintrust.com](http://www.wintrust.com)

727 North Bank Lane  
Lake Forest, IL 60045  
847-615-4096

### **LAKE FOREST BANK & TRUST COMPANY**

[www.lakeforestbank.com](http://www.lakeforestbank.com)

Lake Forest Locations  
Main Bank  
727 North Bank Lane  
Lake Forest, IL 60045  
847-234-2882

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 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](http://www.bankofhwfs.com)

Highland Park Bank & Trust  
600 Central Avenue  
Port Clinton Square  
Suite 142 (Facing First Street)  
Highland Park, IL 60035  
[www.highlandparkbank.com](http://www.highlandparkbank.com)

MMF Leasing Services  
810 S. Waukegan Road  
Lake Forest, IL 60045  
847-604-5060

### **HINSDALE BANK & TRUST COMPANY**

[www.hinsdalebank.com](http://www.hinsdalebank.com)

Hinsdale Locations  
Main Bank  
25 East First Street  
Hinsdale, IL 60521  
630-323-4404

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](http://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](http://www.communitybankws.com)

Riverside Bank  
17 E. Burlington  
Riverside, IL 60546  
708-447-3222  
[www.bankriverside.com](http://www.bankriverside.com)

**NORTH SHORE COMMUNITY BANK & TRUST COMPANY**  
[www.nscbank.com](http://www.nscbank.com)

Wilmette Locations  
Main Bank  
1145 Wilmette Avenue  
Wilmette, IL 60091  
847-853-1145

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  
576 Lincoln Ave  
Winnetka, IL 60093  
847-441-2265

Skokie Locations  
5049 Oakton Street  
Skokie, IL 60077  
847-933-1900

**New South Facility**

(opening spring of 2003)  
7800 Lincoln Avenue  
Skokie, IL 60077  
847-933-1900

**LIBERTYVILLE BANK & TRUST COMPANY**  
www.libertyvillebank.com

Libertyville Locations  
Main Bank  
507 North Milwaukee Avenue  
Libertyville, IL 60048  
847-367-6800

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

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

**New South Facility**  
(opening summer of 2003)  
1200 South Milwaukee Avenue  
Libertyville, IL 60048  
847-367-6800

Wauconda Community Bank Locations  
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**

[www.barringtonbank.com](http://www.barringtonbank.com)

## Barrington Locations

## Main Bank

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

## Mortgage Department

202 S. Cook Street  
Barrington, IL 60010  
847-842-4674

## Community Advantage

202 S. Cook Street  
Barrington, IL 60010  
847-842-7980  
[www.communityadvantage.com](http://www.communityadvantage.com)

## Hoffman Estates Community Bank

1375 Palatine Road  
Hoffman Estates, IL 60195  
847-963-9500  
[www.hecommunitybank.com](http://www.hecommunitybank.com)

**CRYSTAL LAKE BANK & TRUST COMPANY**

[www.crystallakebank.com](http://www.crystallakebank.com)

## Crystal Lake Locations

## Main Bank

70 N. Williams Street  
Crystal Lake, IL 60014  
815-479-5200

## 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 &amp; Trust

3322 West Elm Street  
McHenry, IL 60050  
815-344-6600  
[www.mchenrybank.com](http://www.mchenrybank.com)

## Cary Bank &amp; Trust

60 East Main Street  
Cary, IL 60013  
847-462-8881  
[www.carybank.com](http://www.carybank.com)

## NorthAmerican Aviation Finance

70 N. Williams St.  
Crystal Lake, IL 60014  
**1-877-FLYMONEY**  
[www.namaf.com](http://www.namaf.com)

**NORTHBROOK BANK & TRUST COMPANY**

[www.northbrookbank.com](http://www.northbrookbank.com)

Main Bank  
1100 Waukegan Road  
Northbrook, IL 60062  
847-418-2800

**WAYNE HUMMER INVESTMENTS, L.L.C.**  
[www.whummer.com](http://www.whummer.com)

300 South Wacker Drive  
Suite 1500  
Chicago, IL 60606  
312-431-1700

810 South Waukegan Avenue  
Lake Forest, IL 60045  
847-482-8469

25 East First Street  
Hinsdale, IL 60521  
630-655-8485

200 East Washington St.  
Appleton, WI 54911  
920-734-1474

**FOCUSED INVESTMENTS, L.L.C.**  
[www.focusedinvestments.com](http://www.focusedinvestments.com)

300 South Wacker Drive  
Suite 1680  
Chicago, IL 60606  
312-431-1700

**WAYNE HUMMER TRUST COMPANY**  
[www.whummer.com](http://www.whummer.com)

300 South Wacker Drive  
Suite 1340  
Chicago, IL 60606  
312-431-1700

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

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

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

1100 Waukegan Road

Northbrook, IL 60062  
847-418-2800

**WAYNE HUMMER ASSET MANAGEMENT COMPANY**  
www.whummer.com

300 South Wacker Drive  
Suite 1340  
Chicago, IL 60606  
312-431-1700

**FIRST INSURANCE FUNDING CORP.**  
www.firstinsurancefunding.com

450 Skokie Blvd., Suite 1000  
Northbrook, IL 60062  
847-374-3000

**TRICOM, INC. OF MILWAUKEE**  
www.tricom.com

16866 W Lisbon Road  
Menomonee Falls, WI 53051  
262-509-6200

**WINTRUST INFORMATION TECHNOLOGY SERVICES COMPANY**  
851 North Villa Ave.  
Villa Park, IL 60181  
630-516-4060

## **CORPORATE INFORMATION**

### **PUBLIC LISTING AND MARKET SYMBOL**

The Company's Common Stock is traded on The Nasdaq Stock Market(R) 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](http://www.wintrust.com)

### **ANNUAL MEETING OF SHAREHOLDERS**

May 22, 2003

Michigan Shores Club

911 Michigan Avenue

Wilmette, Illinois

### **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

### **CURRENT MARKET MAKERS WRITING RESEARCH ON WINTRUST FINANCIAL CORPORATION COMMON STOCK**

- o Howe Barnes Investments, Inc.
- o FTN Financial Securities Corp.
- o Raymond James & Associates
- o RBC Capital Markets
- o Stifel, Nicolaus & Company, Inc.
- o U.S. Bancorp Piper Jaffray

### Subsidiaries of the Registrant

Subsidiary -----	State of Organization or Incorporation -----
Lake Forest Bank and Trust Company	Illinois
North Shore Community Bank and Trust Company	Illinois
Hinsdale Bank and Trust Company	Illinois
Libertyville Bank and Trust Company	Illinois
Barrington Bank and Trust Company, N.A.	National Banking Association
Crystal Lake Bank and Trust Company, N.A.	National Banking Association
Northbrook Bank and Trust Company	Illinois
Crabtree Capital Corporation	Delaware
First Insurance Funding Corporation	Illinois
Tricom, Inc. of Milwaukee	Wisconsin
Wayne Hummer Trust Company, N.A.	National Banking Association
Wintrust Capital Trust I	Delaware
Wintrust Capital Trust II	Delaware
Wintrust Information Technology Services	Illinois
Wayne Hummer Investments, LLC	Delaware
Wayne Hummer Asset Management Company	Illinois
Focused Investments, LLC	Illinois

## CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following documents of our report dated March 7, 2003, with respect to the consolidated financial statements of Wintrust Financial Corporation included by reference in the Annual Report on Form 10-K for the year ended December 31, 2002:

- o Registration Statement (Form S-8 No. 333-61678) pertaining to the Wintrust Financial Corporation Directors Deferred Fee and Stock Plan.
- o Registration Statement (Form S-8 No. 333-33459) pertaining to the Wintrust Financial Corporation Employee Stock Purchase Plan.
- o Registration Statement (Form S-8 No. 333-52650) pertaining to the Wintrust Financial Corporation 1997 Stock Incentive Plan.
- o Registration Statement (Form S-8 No. 333-96983) pertaining to the Wintrust Financial Corporation 1997 Stock Incentive Plan.
- o Registration Statement (Form S-8 No. 333-52652) pertaining to the Wintrust Financial Corporation Retirement Savings Plan.
- o Registration Statement (Form S-3 No. 333-90211) pertaining to shares of Wintrust Financial Corporation issued in connection with the acquisition of Tricom, Inc.
- o Registration Statement (Form S-3 No. 333-92075) pertaining to shares of Wintrust Financial Corporation issued in a private placement.
- o Registration Statement (Form S-3 No. 333-56566) pertaining to shares of Wintrust Financial Corporation issued in a private placement.
- o Registration Statement (Form S-3 No. 333-84188) pertaining to shares of Wintrust Financial Corporation issued in connection with the acquisition of Wayne Hummer Companies.
- o Registration Statement (Form S-3 No. 333-103134) pertaining to shares of Wintrust Financial Corporation issued in connection with the acquisition of Lake Forest Capital Management Company.

*/s/ Ernst & Young LLP*

*Chicago, Illinois  
March 27, 2003*

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**LAKE FOREST BANK  
& TRUST COMPANY**

**OUR  
STORY**

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## **Do You Remember When You First Started Here?**

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At one time or another, all of us have had one of "those days." You know, a day when there's a line at the copier, you haven't had time to start that assignment that's due in one hour, you have a meeting in 10 minutes but you still have to return a couple of phone calls from customers. We've all had days like that, haven't we?

Because we're all so busy, it's easy to lose sight of why we actually do what we do here at Lake Forest Bank & Trust. That's why it's important to look back and remind ourselves why we're here in the first place, and what we stand for.

### **A Short Refresher Course On Our Not-So-Distant Past**

It was obvious. Local residents and business 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 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 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. Employees didn't know their customers, and the customers didn't even recognize the employees. Customers were treated like strangers.

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

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### **Our Humble Beginnings**

In September, 1991, our bank's President and Executive Vice President met in front of the 664 Western Avenue building and looked upon what would become Lake Forest Bank & Trust Company's temporary home.

They worked out of a 9' x 12' office with a desk, a card table, fax, a computer and, for inspiration, a picture of John Wayne on the wall. As the build-out took place around them, what was formerly a number of small offices soon began to take shape as a bank. Marketing plans solidified, the bank's investors put in their capital, employees were hired, furniture and forms were ordered and the bank's permit to open was issued.

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At 7:00a.m., December 27, 1991, Lake Forest Bank & Trust Company, with 12 employees, opened for business. Up until then, we wondered if the return 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.

### **Growing To Meet Our Customers' Needs**

Shortly after opening in our temporary quarters, we began to plan our permanent Drive-Thru/Walkup facility for the corner of Bank Lane and Wisconsin Avenue.

At 8:30a.m., on April 17, 1993, one of our first Junior Savers cut the ribbon to officially open the facility. Even more exciting, at 9:00a.m. we held our ground breaking ceremony to begin construction of our permanent bank building. One year later, on April 18, 1994, we opened 727 Bank Lane. A few months later, on December 5, 1994, we opened "the New

**[GRAPHIC OMITTED]**

Lake Bluff Bank" on Scranton Avenue, to better serve our Lake Bluff customers.

Seeing a need to service our customers West of Route 41, we opened a facility in May, 1995, on the corner of Waukegan Rd. and Conway Drive. And, a year later, we opened a Drive-Thru/Walkup location in the West Lake Forest Metra station.

For some time, we had our eyes open for an opportunity to establish a facility in Highwood. The former Bank of Highwood was originally started with the same community banking philosophy we had established here in Lake Forest. In late 1993, they were sold to Colonial Bank and only three months later, to First Star! The "spirit" of community banking was quickly lost. We had a strong desire to bring that spirit back to Highwood and the Town of Fort Sheridan, so we started Bank of Highwood-Fort Sheridan in 2000. We opened in a temporary facility in February and moved to our beautiful new permanent facility on Sheridan Road in September of that same year. In May 2002, we opened Highland Park Bank & Trust, again out of a humble temporary facility, located in Port Clinton Square across from the train station. All of these locations have been carefully thought out as ways to serve our customers better.

Throughout our brief history, we have carefully thought out why we should open a facility at a particular location and what it would mean to the residents in that area. The overriding factor has been our belief that, without a doubt, we could provide a level of personal, friendly and knowledgeable service unrivaled by any other bank.

### **Wintrust - A Family of Community Banks**

#### **CUSTOMER AND COMMUNITY FIRST**

Even before Lake Forest Bank & Trust Company opened its doors, our directors, senior officers and investors knew this was going to be only the first of a number of community banks we wished to open in the Chicago suburban area. We knew Lake Forest was not unique in needing the banking services only a true community bank could provide.

Drawing on past associations with the best community bankers in the Chicago area, other banks were opened and staffed with talented people who had the same "customer and community first" philosophy that has proven so successful for us. Many of these employees were already living in the community in which the banks

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opened. These employees knew their communities and their communities knew them. Many of the people who invested in Lake Forest Bank & Trust Company also invested in each of these new community banks.

You see, we all believed very strongly in what we were doing. And we still do. Over the years, our family of banks has shared ideas and talents which has helped us compete successfully with the mega banks, even though they have many more resources than us "little" guys. It's also helped us provide better service to our customers. By joining forces, we have been able to offer cheaper loans, pay better interest rates, respond to customers faster, be more flexible, and offer more innovative products.

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In fact, this informal affiliation with our entire family of community banks proved so valuable that in September, 1996, we decided to formalize it.

All of these banks were then joined together under one holding company called Wintrust Financial Corporation. The board of directors of this holding company is made up of directors from each of the partners (a number of our own bank's directors currently serve on the Wintrust board). But they are not involved in the day-to-day operations of the banks - the current bank boards continue that responsibility. This is because every board member understands how important it is to keep the management of a community bank right in its own community.

### **Who Are Our Sister Companies?**

They're a young, very successful group. And they all live not too far from us. These partners, however, have more in common than geography. All are de novo community banks that started from scratch and went on to become the fastest growing family of banks in Illinois. And all of them started just like us -- with a great idea and the desire to provide the best customer service, bar none.

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**HINSDALE BANK & TRUST:** Established October, 1993. This is the second oldest bank and has locations in Hinsdale, Clarendon Hills, Western Springs and Riverside.

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**NORTH SHORE COMMUNITY BANK & TRUST:** Established in October, 1994. This bank operates in Wilmette, Winnetka, Glencoe and Skokie.

**LIBERTYVILLE BANK & TRUST:** Established in October, 1995. It has locations in Libertyville and Wauconda.

**BARRINGTON BANK & TRUST:** Established in December of 1996, serves the Barrington and Hoffman Estates area.

**CRYSTAL LAKE BANK & TRUST:** They opened in 1997 and have locations in Crystal Lake and McHenry.

**NORTHBROOK BANK & TRUST:** This is our newest bank and it opened in 2000.

While additional members of Wintrust are not banks, they do offer complementary financial services for which our customers have expressed a need. They are:

#### **WAYNE HUMMER INVESTMENTS**

Since 1931, Wayne Hummer Investments has been providing a full-range of investment products and services tailored to meet specific needs of individual investors in Chicago and throughout the country. Wayne Hummer is a well respected name in the brokerage business that services a very loyal, affluent client base. They operate offices in Chicago, Illinois and Appleton, Wisconsin. Wayne Hummer Investments has approximately 150 employees, including over 40 active brokers, and is a member of the New York Stock Exchange, the Chicago Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers.

#### **WAYNE HUMMER TRUST COMPANY**

provides trust and investment products and services to individuals and businesses in our community bank markets. We found it advantageous to provide these services to all our community banks from one trust company that has the combined resources necessary in that business. Wayne Hummer Trust Company also embraces our same "customer-first" philosophy. While Lake Forest houses headquarters and operations, Wayne Hummer Trust Company also has employees dedicated to and located at most other Wintrust community banks.

#### **CUSTOMER FIRST PHILOSOPHY**

#### **WAYNE HUMMER ASSET MANAGEMENT COMPANY,**

established in 1981, is the investment management arm of Wayne Hummer and is advisor to the Wayne Hummer family of mutual funds. The Wayne Hummer family of funds includes the Wayne Hummer Growth Fund, the Wayne Hummer

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CorePortfolio Fund, the Wayne Hummer Income Fund, and the Wayne Hummer Money Market Fund. The investment management group provides advisory services to individuals and institutions, municipalities, and tax-exempt organizations.

## **WHAT IS COMMUNITY BANKING?**

### **IT ALL BEGINS WITH THE CUSTOMER**

It's important that the first group of people to meet and discuss starting our bank were not only professional bankers, but were also long time residents. Their idea for a new bank was not based on profit projections, asset management or bottom lines. It was based, instead, on people's wants and needs.

They knew people wanted a bank where they are known by name and made to feel welcome as soon as they walk in the door; a place where when somebody says, "Can I help you?" they mean it, and where no one ever has to pay a fee for visiting with a teller.

People want the kind of bank that will service them for life - where parents can take their kids to learn about banking and saving, and maybe even meet the bank's president. They want a bank where older kids can get help all the way through college; where all of a family's financial events, from the household checking account to trust and estate planning, will be as important to the bank as they are to the family; where older folks can find security and comfort in specially tailored senior products and services.

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People want to keep it local. A bank's management should live nearby, and be involved with community events. The bank should become an important part of the community, help it solve its problems and plan for its future. And, the bank's profits should stay close to home and be used to help local business and community development.

They want their bank to be so efficient and smart and innovative that it can match or do better than any rate or promise its largest competitors would offer.

And finally, people want a bank that is a good neighbor, friendly, helpful and generous.

As it turns out, local residents wanted a community bank like

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ours. As soon as it opened in 1991, it became one of the fastest growing new banks in Illinois history.

## **COMMUNITY OWNERSHIP**

One of the early decisions was to offer the ownership of the new bank to as many local people as possible, rather than have it owned by a few big investors. Not only would this create many immediate and loyal customers, it would make the bank a true community bank. So stock was offered in smaller portions than usual, and local folks were invited to participate.

It worked. Many residents became stockholders. Their children, too. Almost all of the original investors were from the area. And most of them also became customers. That means when a customer comes into the bank, he or she is automatically treated like a stockholder.

As you might imagine, having that many owners dropping in on us keeps us on our toes. But once you realize all they want from their bank is what we all want - a warm welcome, cheerful help and a sincere appreciation for their business - they seem like family coming in for a visit.

This local ownership is also evident in the make-up of the bank management and Board of Directors, all of whom live in the area.

## **GUIDING PRINCIPLES**

Just to make sure future bank directors, management teams, and staff don't forget the kind of bank the founders wanted, we've developed the following six important reminders to keep everybody on track.

### **OUR PURPOSE**

We will provide families, individuals and businesses with a modern, full-service banking facility that's unique because it's run by local people who are meeting the area's need for a friendly, neighborly, well-run community bank.

### **OUR MOST IMPORTANT ASSET IS YOU**

### **OUR CUSTOMER**

We will treat every customer as an important depositor, a stockholder and a good neighbor. They must receive "the best darn customer service around -- bar none!"

### **OUR PRODUCT**

Our basic product is service. We help our customers save, spend, borrow and invest their money safely and wisely. If we are to be successful as a community bank, we must put the welfare of our customers first. It's as simple as that.

### **OUR COMMUNITY**

We believe that a true

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community bank should be active in bringing about positive change in the community. We must be good citizens of our village and encourage all our staff to become involved with local events. And we must, to the extent possible, endeavor to hire employees, contract for services and buy products from our community.

### **OUR STOCKHOLDERS**

Our stockholders are also very important to us. Most of them have invested their trust and their beliefs as well as their money into the idea and future of our banks. The management, directors and staff should always work to justify that investment.

### **OUR EMPLOYEES**

We must work hard to attract the brightest and friendliest employees possible and let them know how critical they are to our success. The best way to attract the kind of employees we want is to offer good pay, job security, generous benefits, advancement potential, a pleasant working environment and the opportunity to be part of a successful team. We encourage our employees to purchase stock so that they can become owners of the bank and share in the profits they help generate.

### **WHAT MAKES A GOOD COMMUNITY BANK EMPLOYEE?**

To be a good employee of a community bank, whether as a teller, a personal banker or the bank's president, all you have to do is remember the Golden Rule:

"Bank unto others as you would have others bank unto you."

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- o Welcome our customers into the bank with a smile, do your best to remember their names, always treat them with respect.
- o Treat all non customers just like they are customers.
- o Answer all phones in a friendly manner and as quickly as possible. Assume each call is from a good friend who has a big problem.
- o Don't make customers wait long. They're in a hurry.
- o Be good at your job and knowledgeable about the bank's products.
- o If a customer has a question, answer it if you can. If you can't

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answer it, find someone who can. If they have a problem, help them solve it. And if they get confused, don't blame it on them - find a way to explain things better.

o Always tell the truth to a customer. And if you make a mistake, admit it. That's why we initiated our "Oops!" Program, which pays our customers \$3 if we make a mistake.

o You're only human, so there will be times when you become angry at yourself, at a customer, at a co-worker, or at life in general.

o Try to remember that these moments are just a part of life - and that tough times never last.

o Help the bank keep on track. If you think we ever behave in a way inconsistent with community banking, bring it to someone's attention. Be part of the solution, not the problem.

o Treat your co-workers how you would like to be treated.

o Be friendly to kids and teach them. Help them grow up to be money smart.

o Keep your sense of humor. Enjoy your work. Have fun.

All of this may seem obvious and easy, but it's so important.

**OUR MOST IMPORTANT ASSET IS YOU**

People may go into a bank for the first time because of its location, its interest rates, or the kind of accounts it offers. But whether or not they establish a relationship and become loyal customers depends entirely on the people they meet there.

**THE BEST DARN CUSTOMER SERVICE AROUND -- BAR NONE**

To all of your customers, you are the bank. You are our face and our voice. If you are friendly, the bank is friendly. If you are helpful, the bank is helpful. If they like you, they like the bank.

Without you, we can't fulfill our mission of providing true hometown banking for our friends and neighbors. You're the reason that the bank has been such a success and will continue to be so.

We hope this look at our humble beginnings was a good reminder of your importance to us. It should be obvious that while other banks have chosen to depend on machines, fees and systems, we depend on our people to provide the kind of banking our

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community wants and deserves.

We also hope this knowledge will make you absolutely certain that joining us was a good career move for you. Since you're just the kind of person we need, we're going to try hard to keep you around for a long time.

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### **OUR MISSION**

So, let's boil all of this down to a simple "mission statement" that we can all understand, embrace and strive to achieve day in and day out. It's the one thing \_we offer customers that really sets us apart from our competition, and that is:

To provide the best customer service around, bar none.

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**LAKE FOREST BANK  
& TRUST COMPANY**

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**LAKE FOREST BANK  
& TRUST COMPANY  
OF LAKE BLUFF**

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**BANK OF HIGHWOOD-  
FORT SHERIDAN**  
a branch of Lake Forest Bank & Trust Company

**HIGHLAND PARK BANK  
& TRUST**  
a branch of Lake Forest Bank & Trust Company

Exhibit 99.1

The following certification is provided by the undersigned Chief Executive Officer of Wintrust Financial Corporation on the basis of such officer's knowledge and belief for the sole purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**CERTIFICATION**

In connection with the Annual Report of Wintrust Financial Corporation (the "Company") on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on March 27, 2003, (the "Report"), I, Edward J. Wehmer, President and Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ EDWARD J. WEHMER*

-----  
*Name: Edward J. Wehmer*  
*Title: President and Chief Executive Officer*  
*Date: March 27, 2003*

Exhibit 99.2

The following certification is provided by the undersigned Chief Operating Officer of Wintrust Financial Corporation on the basis of such officer's knowledge and belief for the sole purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**CERTIFICATION**

In connection with the Annual Report of Wintrust Financial Corporation (the "Company") on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on March 27, 2003, (the "Report"), I, David A. Dykstra, Senior Executive Vice President and Chief Operating Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ DAVID A. DYKSTRA*

-----  
*Name: David A. Dykstra*  
*Title: Senior Executive Vice President and*  
*Chief Operating Officer*  
*Date: March 27, 2003*

Exhibit 99.3

The following certification is provided by the undersigned Chief Financial Officer of Wintrust Financial Corporation on the basis of such officer's knowledge and belief for the sole purpose of complying with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**CERTIFICATION**

In connection with the Annual Report of Wintrust Financial Corporation (the "Company") on Form 10-K for the year ended December 31, 2002 as filed with the Securities and Exchange Commission on March 27, 2003, (the "Report"), I, David L. Stoehr, Executive Vice President and Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ DAVID L. STOEHR*

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*Name: David L. Stoehr  
Title: Executive Vice President and  
Chief Financial Officer  
Date: March 27, 2003*

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**End of Filing**

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