

## Table of Contents

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, 2003

**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.  Yes  No

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).  Yes  No

The aggregate market value of the voting stock held by non-affiliates of the registrant on June 30, 2003 (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 \$29.79, as reported by the Nasdaq National Market, was \$485,936,491.

As of March 5, 2004, the registrant had 20,192,100 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Shareholders for the year ended December 31, 2003, 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 27, 2004 are incorporated by reference into Part III.

\* including Preferred Share Purchase Rights related thereto

TABLE OF CONTENTS

	<u>Page</u>
<b>PART I</b>	
<b>ITEM 1.</b> Business.	3
<b>ITEM 2.</b> Properties.	27
<b>ITEM 3.</b> Legal Proceedings.	29
<b>ITEM 4.</b> Submission of Matters to a Vote of Security Holders.	29
<b>PART II</b>	
<b>ITEM 5.</b> Market for Registrant’s Common Equity and Related Stockholder Matters.	30
<b>ITEM 6.</b> Selected Financial Data.	31
<b>ITEM 7.</b> Management’s Discussion and Analysis of Financial Condition and Results of Operation.	31
<b>ITEM 7A.</b> Quantitative and Qualitative Disclosures About Market Risk.	32
<b>ITEM 8.</b> Financial Statements and Supplementary Data.	32
<b>ITEM 9.</b> Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.	32
<b>ITEM 9A.</b> Controls and Procedures.	32
<b>PART III</b>	
<b>ITEM 10.</b> Directors and Executive Officers of the Registrant.	33
<b>ITEM 11.</b> Executive Compensation	33
<b>ITEM 12.</b> Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	34
<b>ITEM 13.</b> Certain Relationships and Related Transactions.	34
<b>ITEM 14.</b> Principal Accounting Fees and Services	34
<b>PART IV</b>	
<b>ITEM 15.</b> Exhibits, Financial Statement Schedules and Reports on Form 8-K.	35
Signatures	39
Second Amended and Restated Loan Agreement	
Computation of Ratio of Earnings to Fixed Charges	
2003 Annual Report to Shareholders	
Code of Ethics	
Subsidiaries of the Registrant	
Consent of Independent Auditors	
302 Certification of Chief Executive Officer	
302 Certification of Chief Financial Officer	
906 Certification of CEO and CFO	

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 \$4.7 billion at December 31, 2003. 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 nine wholly-owned banking subsidiaries (collectively, “Banks”), all of which started as *de novo* (i.e., started new) institutions within the last thirteen years. The Banks are 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”), Northbrook Bank & Trust Company (“Northbrook Bank”), Advantage National Bank (“Advantage Bank”) and Village Bank & Trust Company (“Village Bank”). Advantage Bank and Village Bank were acquired by the Company on October 1, 2003 and December 5, 2003, respectively. The Company is organizing its tenth bank subsidiary, Beverly Bank & Trust Company, N.A. (in organization), which is expected to begin operations in late March or early April 2004.

The Company provides a full range of wealth management services through four separate subsidiaries, including Wayne Hummer Trust Company, N.A. (“WHTC”), Wayne Hummer Investments, LLC (“WHI”), a registered broker-dealer and subsidiary of North Shore Bank, Wayne Hummer Asset Management Company (“WHAMC”), a registered investment advisor, and Focused Investments, LLC, a broker-dealer and subsidiary of WHI. The Company acquired WHI and WHAMC in February 2002.

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, and 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 Tricom, Inc. of Milwaukee (“Tricom”), a wholly-owned subsidiary of Hinsdale Bank.

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

## Table of Contents

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 2003 Annual Report to Shareholders, which is filed as Exhibit 13.1 to this Form 10-K and 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 thirteen 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, and in March 2004 opened a branch in Downers Grove. 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. In October and December 2003, the Company acquired two bank holding companies and their subsidiary banks, Advantage Bancorp, Inc., and its subsidiary Advantage Bank, and Village Bancorp, Inc., parent company of Village Bank, respectively. Both of these banks are community-oriented institutions with locations that service the northwest suburbs of Chicago, and both began operations similar to the banks organized by Wintrust. Advantage Bank began operations in January 2001 in Elk Grove Village and opened a branch in

## **Table of Contents**

Roselle at the same time. Village Bank began operations in May 1995 in Prospect Heights and in February 2000, opened a branch in Arlington Heights and subsequently designated its main office as the Arlington Heights location. In late March or early April 2004, the Company plans to open its tenth bank subsidiary, Beverly Bank & Trust Company, N.A. (in organization), which will be located on the southwest side of Chicago to service the Beverly Hills/Morgan Park communities as well as the surrounding communities of Evergreen Park and Merrionette Park. 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, Wayne Hummer Trust Company, N.A. (“WHTC”). In addition to offering services to customers of the Banks, WHTC targets small to mid-size businesses and affluent individuals whose needs command the personalized attention offered by its experienced trust professionals. Assets under administration and/or management by WHTC as of December 31, 2003 were approximately \$578 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. 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 adviser with approximately \$300 million of assets under management upon acquisition. Lake Forest Capital was merged into WHAMC.

Through WHI, the Company provides a full range of private client and securities brokerage services to clients located primarily in the Midwest. WHI client assets were approximately \$4.7 billion at December 31, 2003. FI provides a full range of investment services to clients through a network of community-based financial institutions primarily in Illinois. WHAMC provides money management services and advisory services to individual and institutional accounts, as well as its proprietary mutual funds, and also provides portfolio management and financial supervision for a wide range of pension and profit-sharing plans. WHAMC had approximately \$983 million of assets under management at December 31, 2003.

### **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

## **Table of Contents**

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. During 2003, FIFC originated approximately \$2.3 billion of premium finance receivables. The majority of these loans were 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 twelve 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 2003, Tricom processed payrolls with associated client billings of approximately \$305 million.

The Company also engages in several specialty lending areas within the Banks. Hinsdale Bank operates an indirect auto lending program which originates new and used automobile loans that are purchased by all of the Banks. The loans are generated through a network of automobile dealers located in the Chicago area with which Hinsdale Bank has established relationships. The indirect automobile loans are secured by new and used vehicles and are diversified among many individual borrowers. 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, 2003, our indirect auto loans were \$174 million and comprised approximately 5% 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. Other specialty lending conducted through the Banks include Lake Forest Bank's equipment leasing program, Barrington Bank's Community Advantage program which provides lending, deposit and cash management services to condominium, homeowner and community associations, Hinsdale Bank's mortgage warehouse lending program which provides loan and deposit services to mortgage brokerage companies located predominantly in the Chicago metropolitan area, and Crystal Lake Bank's North American Aviation Financing division which provides small aircraft lending.

## **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

## Table of Contents

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 those 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 Company continues to recruit and hire experienced professionals from the more established Chicago area trust and asset management companies, which is expected to help in attracting new customer relationships. 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.

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, 2003, the Company and its subsidiaries employed a total of 929 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.

## **Table of Contents**

### **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:

- 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 in 2002 and Lake Forest Capital Management in 2003 will depend on the successful integration of these businesses.
- The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- Although management believes the allowance for 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.
- 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.

## **Table of Contents**

- The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- The Company's ability to adapt successfully to technological changes to compete effectively in the marketplace.
- Future events may cause slower than anticipated development and growth of the Tricom business should the temporary staffing industry experience continued slowness.
- 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.
- 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.
- Unexpected difficulties or unanticipated developments related to the integration of Advantage National Bancorp, Inc. and Village Bancorp, Inc.
- Unexpected difficulties or unanticipated developments related to the opening of the Company's next *de novo* bank planned for the Beverly neighborhood of Chicago in late March or early April 2004.

## **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

## Table of Contents

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 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

## Table of Contents

(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 through acquisitions, are expected to maintain strong capital positions substantially above the minimum levels.

As of December 31, 2003, the Company’s total capital to risk-weighted assets ratio was 12.1%, its Tier 1 Capital to risk-weighted asset ratio was 10.2% and its leverage ratio was 8.9%.

**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, Northbrook Bank and Village 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, Advantage Bank and WHTC are federally-chartered and are subject to supervision and examination by the Office of the Comptroller of the Currency (“OCC”) pursuant to the National Bank Act and regulations promulgated thereunder. Beverly Bank & Trust Company, N.A. (in organization) will also be subject to supervision and examination by the OCC. 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. The 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, Northbrook Bank and Village Bank, or the OCC, in the case of Barrington Bank, Crystal Lake Bank and Advantage 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 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, 2003, 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.

## Table of Contents

**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, Northbrook Bank and Village 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, Advantage 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

## Table of Contents

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

## Table of Contents

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 2003, the Banks paid deposit insurance premiums in the aggregate amount of \$504,000.

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 \$42.1 million of transaction accounts plus 10.0% on the remainder. The first \$6.0 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

## Table of Contents

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:

- require banks to meet the credit needs of their communities;
- require banks to disclose credit terms in meaningful and consistent ways;
- prohibit discrimination against an applicant in any consumer or business credit transaction;
- prohibit discrimination in housing-related lending activities;
- require banks to collect and report applicant and borrower data regarding loans for home purchases or improvement projects;
- require lenders to provide borrowers with information regarding the nature and cost of real estate settlements;
- prohibit certain lending practices and limit escrow account amounts with respect to real estate transactions; and
- 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 Branching Efficiency Act of 1994 (the “Interstate Banking Act”), 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

## **Table of Contents**

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 credit policies of 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 Federal Reserve’s monetary policies 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**

The following statistical information and the statistical information on pages 3, 69 and 70 of the 2003 Annual Report to Shareholders are provided in accordance with the requirements of The Exchange Act Industry Guide 3, Statistical Disclosures by Bank Holding Companies, 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 2003 Annual Report to Shareholders filed herewith as Exhibit 13.1 and incorporated herein by reference.

**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, 2003, 2002 and 2001 (in thousands):

	2003	2002	2001
U.S. Treasury	\$ 54,930	34,022	3,048
U.S. Government agencies	309,728	140,752	152,185
Municipal	11,364	6,467	6,686
Corporate notes and other debt	35,408	38,952	22,855
Mortgage-backed	393,239	270,962	181,425
Federal Reserve/FHLB Stock and other equity securities	102,212	56,524	19,151
<b>Total available-for-sale securities</b>	<b>\$906,881</b>	<b>547,679</b>	<b>385,350</b>

Tables presenting the carrying amounts and gross unrealized gains and losses for securities available-for-sale at December 31, 2003 and 2002, are included by reference to Note 3 to the Consolidated Financial Statements included in the 2003 Annual Report to Shareholders, which is incorporated herein by reference. All of the Company's securities, for all periods shown, are classified as available-for-sale. Maturities of available-for-sale securities as of December 31, 2003, 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	Federal Reserve / FHLB stock and other equities	Total
U.S. Treasury	\$ 3,523	7,360	44,047	—	—	—	54,930
U.S. Government agencies	1,121	292,315	16,292	—	—	—	309,728
Municipal	1,511	4,828	3,739	1,286	—	—	11,364
Corporate notes and other debt	15,047	—	538	19,823	—	—	35,408
Mortgage-backed <sup>(1)</sup>	—	—	—	—	393,239	—	393,239
Federal Reserve/FHLB Stock and other equity securities <sup>(2)</sup>	—	—	—	—	—	102,212	102,212
<b>Total available-for-sale securities</b>	<b>\$21,202</b>	<b>304,503</b>	<b>64,616</b>	<b>21,109</b>	<b>393,239</b>	<b>102,212</b>	<b>906,881</b>

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

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

## Table of Contents

The weighted average yield for each range of maturities of securities, on a tax-equivalent basis, is shown below as of December 31, 2003.

	Within 1 year	From 1 to 5 years	From 5 to 10 years	After 10 years	backed securities	Equity securities	Total
U.S. Treasury	1.54%	1.79%	3.62%	—	—	—	3.25%
U.S. Government agencies	3.32%	2.13%	4.58%	—	—	—	2.26%
Municipal	2.51%	5.28%	4.57%	5.50%	—	—	4.70%
Corporate notes and other debt	2.21%	—	8.15%	1.86%	—	—	2.11%
Mortgage-backed <sup>(1)</sup>	—	—	—	—	4.76%	—	4.76%
Federal Reserve/FHLB Stock and other equity securities <sup>(2)</sup>	—	—	—	—	—	4.72%	4.72%
Total available-for-sale securities	2.18%	2.17%	3.95%	2.09%	4.76%	4.72%	3.72%

(1) The maturities of mortgage-backed securities may differ from contractual maturities since the underlying mortgages may be called or prepaid without 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):

	2003		2002		2001		2000		1999	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
Commercial and commercial real estate	\$1,648,022	50%	1,320,598	52	1,007,580	50	647,947	42	485,776	38
Home equity	466,812	14	365,521	14	261,049	13	179,168	12	139,194	11
Residential real estate	173,625	5	156,213	6	140,041	7	131,495	9	102,903	8
Premium finance receivables	746,895	23	461,614	18	348,163	17	313,066	20	219,341	17
Indirect auto loans	174,071	5	178,234	7	184,209	9	203,571	13	255,410	20
Tricom finance receivables	25,024	1	21,048	1	18,280	1	20,354	1	17,577	1
Consumer and other loans	63,345	2	52,858	2	59,157	3	51,995	3	49,925	4
Total loans, net of unearned income	\$3,297,794	100%	2,556,086	100	2,018,479	100	1,547,596	100	1,270,126	100

*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, an earning asset niche developed at Crystal Lake Bank. Commercial business lending is generally considered to involve a higher degree of risk than traditional

## Table of Contents

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, recruitment of additional experienced lending officers 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 mortgage loan are usually required to be repaid within 21 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.

*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 85%, 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.

*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 were 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, 2003 and 2002 was \$285 million and \$239 million, respectively. All other mortgage loans sold into the secondary market were sold without the retention of servicing rights.

## Table of Contents

*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 2003, FIFC originated approximately \$2.3 billion of loans and sold approximately \$274 million of those loans originated in 2003 to an unrelated financial institution. FIFC recognized gains of \$4.9 million related to this activity. As of December 31, 2003 and 2002, the balance of these receivables that FIFC services for others totaled approximately \$113 million and \$141 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, 2003, 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 initial balance of premium finance loans originated during 2003 ranged from approximately \$27,000 to \$35,000 and the average term of the agreements was 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 is not sufficient to cover the 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.

## Table of Contents

*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. 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 \$17,400 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.

*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.

### Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table classifies the commercial loan portfolios at December 31, 2003 by date at which the loans mature (in thousands):

	One year or less	From one to five years	After five years	Total
Commercial and commercial real estate loans	\$664,167	860,373	123,482	1,648,022
Premium finance receivables, net of unearned income	746,895	—	—	746,895
Tricom finance receivables	25,024	—	—	25,024

Of those loans maturing after one year, approximately \$356.4 million have fixed rates.

## 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):

	2003		2002		2001		2000		1999	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Commercial and commercial Real Estate	\$ 7,421	50%	6,837	52	6,251	50	4,019	42	3,435	38
Home equity	467	14	563	14	1,353	13	992	12	1,146	11
Residential real estate	417	5	200	6	137	7	141	9	126	8
Consumer and other	418	2	358	2	835	3	473	3	469	4
Premium finance receivables	5,495	23	3,613	18	1,391	17	1,209	20	721	17
Indirect auto loans	915	5	941	7	1,442	9	1,552	13	1,947	20
Tricom finance receivables	143	1	120	1	112	1	120	1	120	2
Unallocated	10,265	—	5,758	—	2,165	—	1,927	—	819	—
<b>Totals</b>	<b>\$25,541</b>	<b>100%</b>	<b>18,390</b>	<b>100</b>	<b>13,686</b>	<b>100</b>	<b>10,433</b>	<b>100</b>	<b>8,783</b>	<b>100</b>

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, 2003.

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

## Table of Contents

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 can be challenging and uncertain. 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 \$7.4 million at December 31, 2003 compared with \$6.8 million at December 31, 2002 and \$6.3 million at December 31, 2001. The total allowance established for commercial and commercial real estate loans increased \$584,000 in 2003. This reflects an increase of \$766,000 in allocated allowance for loans on the Watch List (includes \$680,000 for loans considered impaired), an increase of \$804,000 as a result of 25% growth of this loan segment in 2003, and a decrease in allocated allowance of \$1.0 million reflecting a change in the risk rating allocation percentage to more accurately reflect historical loss experience.

The home equity, residential real estate, consumer 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, consumer and other loans was \$1.3 million at December 31, 2003 compared with \$1.1 million at December 31, 2002 and \$2.3 million at December 31, 2001. The total allowance established for home equity, residential real estate, consumer and other loans increased \$181,000 in 2003. This increase resulted primarily from an increase in the allocated allowance for residential real estate loans on the Watch List. The decrease in the allowance for these loans in 2002 compared to 2001 reflected lower levels of non-performing home equity, residential real estate, consumer and other loans.

Allocations for niche loans such as premium finance receivables, indirect auto and Tricom finance receivables are based on an analysis of historical delinquency and charge-off statistics and historical growth trends. The allowance established for premium finance loans was \$5.5 million at December 31, 2003 compared with \$3.6 million at December 31, 2002 and \$1.4 million at December 31, 2001. The total allowance established for premium finance loans increased \$1.9 million in 2003. This increase in the allowance for premium finance loans in 2003 compared to 2002 reflects the 62% increase in outstanding loan balances. The increase in the allowance for premium finance loans at December 31, 2002 compared to December 31, 2001, reflected an increase related to the 33% growth in premium finance receivables outstanding and a change in the risk rating to reflect the historical loss experience.

The allowance established for indirect auto loans was \$915,000 at December 31, 2003 compared with \$941,000 at December 31, 2002 and \$1.4 million at December 31, 2001. The slight decrease in the allowance established for indirect auto loans in 2003 reflects the 2.3% decline in outstanding loan balances in 2003. The decrease in the allowance for indirect auto loans at December 31, 2002 compared to December 31, 2001, reflected 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

## Table of Contents

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 \$10.3 million at December 31, 2003 compared with \$5.8 million at December 31, 2002 and \$2.2 million at December 31, 2001.

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 2003 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, 2003 (in thousands):

Maturing within 3 months	\$ 185,516
After 3 but within 6 months	168,134
After 6 but within 12 months	286,789
After 12 months	439,283
	<hr/>
Total	\$1,079,722

### 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:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Return on average total assets	<b>0.93%</b>	0.87%	0.79%
Return of average common shareholders’ equity	<b>14.36%</b>	14.76%	15.24%
Dividend payout ratio	<b>8.1%</b>	7.5%	7.4%
Average equity to average total assets	<b>6.4%</b>	5.9%	5.2%
Ending total risk based capital ratio	<b>12.1%</b>	9.4%	8.5%
Leverage ratio	<b>8.9%</b>	7.0%	7.1%

**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 2003 were \$16.1 million of federal funds purchased, \$25.2 million of repurchase agreements and \$15.4 million of Wayne Hummer Company funding. During 2003, the Company participated in overnight and term security repurchase agreements. The overnight agreements represent sweep accounts in connection with a master repurchase agreement. In connection with the overnight agreements, securities remain under the Company's control and are pledged for 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, 2003, 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 2003 Annual Report to Shareholders filed herewith as Exhibit 13.1, and is incorporated herein by reference.

**ITEM 2. PROPERTIES**

The Company's executive offices are located in the banking facilities 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 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.

Hinsdale Bank operates from six 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, Western Springs and Riverside, Illinois. The buildings in Clarendon Hills and Western Springs are partially used for bank purposes, with the remainder being leased to unrelated parties. ATM machines are located at each facility and stand-alone machines are located off site in a Hinsdale grocery store, the Hinsdale commuter railroad station and in downtown Clarendon Hills. In March 2004, Hinsdale Bank opened its sixth banking location in a temporary facility in Downers Grove, Illinois.

North Shore Bank operates seven physical banking locations. North Shore Bank owns the main bank facility, which is 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 in Skokie, Illinois, and in 2003 the Skokie banking office was relocated to a newly constructed two-story brick building with drive-through lanes. 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 ATM located in Glencoe

Libertyville Bank 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

## Table of Contents

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 newly constructed branch facility located at 1200 S. Milwaukee Avenue in south Libertyville was opened in August 2003, replacing a leased facility. 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. Libertyville Bank maintains ATMs at each of its banking locations and at one off-site location.

Barrington Bank 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 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, the staff supporting the Community Advantage program and other support staff. In 2003, Barrington Bank purchased two properties adjacent to its main office with plans to construct a 17,800 square foot, two-story frame constructions building for future expansion.

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 office, in a temporary location in Cary, Illinois, and in September 2003, relocated from this temporary facility to a newly constructed 12,000 square foot, two-story building with an attached drive through and ATM. Crystal Lake Bank maintains an ATM at each location.

Northbrook Bank opened for business in a temporary leased facility located at 1340 Shermer Road in Northbrook, Illinois in November 2000. 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.

Advantage Bank has two physical bank locations. Advantage Bank owns its main office, a two-story masonry-constructed building with a basement and attached drive-through lanes, located at 75 E. Turner Avenue in Elk Grove Village, Illinois, and leases its branch office, which also has attached drive-through lanes, located at 1350 West Lake Street in Roselle, Illinois. Advantage Bank maintains an ATM at each of its banking locations.

Village Bank has two physical bank locations. Village Bank's main office is located at 311 S. Arlington Heights Road in downtown Arlington Heights, Illinois. Village Bank owns the property which includes a 35,000 square foot one story office building with a basement and a detached drive-through facility which includes an ATM. Village Bank also has a retail branch office in a leased facility located at 1845 East Rand Road in Prospect Heights, Illinois. This leased facility is approximately 3,000 square feet with attached drive-through lanes and an ATM.

## **Table of Contents**

FIFC owns its office building, 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.

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

WHTC leases office space from Lake Forest Bank and WHI for its executives, administrative staff and trust operations. WHTC also leases office space for its trust professionals at Lake Forest Bank, Hinsdale Bank, North Shore Bank, Barrington Bank and Northbrook Bank.

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, Hinsdale Bank and Barrington Bank.

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.

See Note 9 to the Consolidated Financial Statements contained in the 2003 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 2003.

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<sup>®</sup> under the symbol WTCF. The following table sets forth the high and low sales prices reported on Nasdaq for the common stock during 2003 and 2002.

	2003		2002	
	High	Low	High	Low
Fourth quarter	\$46.85	37.64	\$32.66	25.45
Third quarter	38.89	29.30	36.00	26.54
Second quarter	32.40	27.74	34.58	22.22
First quarter	33.65	27.19	22.99	18.33

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 5, 2004 there were approximately 1,385 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 2002 and 2003, adjusted to give effect to the stock split:

Record Date	Payable Date	Dividend per Share
February 5, 2002	February 19, 2002	\$0.06
August 6, 2002	August 20, 2002	\$0.06
February 6, 2003	February 20, 2003	\$0.08
August 5, 2003	August 19, 2003	\$0.08

In January 2004, the Company’s Board of Directors approved a 25% increase in its semi-annual dividend to \$0.10 per share. The dividend was paid on February 19, 2004 to shareholders of record as of February 5, 2004.

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,

## Table of Contents

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 13 of this Form 10-K. During 2003 and 2001, the Banks paid \$5.5 million and \$13.5 million, respectively, in dividends to the Company. In 2002 the Banks paid no dividends to the Company. *De novo* banks are prohibited from paying dividends during their first three years of operations. As of January 1, 2004, none of the Banks were subject to this additional dividend restriction; however, Beverly Bank & Trust Company, N.A. (in organization), which is expected to open in 2004, will be subject to this limitation for its initial three years of operations.

Reference is made to Note 19 to the Consolidated Financial Statements contained in the 2003 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

In December 2003, the Company issued \$20.0 million of trust preferred securities through Wintrust Statutory Trust IV, a wholly-owned, statutory business trust subsidiary, through a Placement Agreement to certain qualified institutional investors. The preferred securities pay interest at a floating rate based on LIBOR plus 2.80%. Simultaneously with the issuance of the preferred securities, the Company issued an equivalent amount of subordinated debentures to Wintrust Statutory Trust IV. The debentures mature on December 8, 2033, and may be redeemed on or after December 8, 2008, if certain conditions are met. The Company paid a placement agent fee of \$50,000. The issuance of the preferred securities and the subordinated debentures was exempt from registration under the Securities Act pursuant to Section 4(2) thereunder.

### ITEM 6. SELECTED FINANCIAL DATA

Certain information required in response to this item is contained in the 2003 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 2003 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 2003 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 2003 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 2003 Annual Report to Shareholders.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required in response to this item is contained in the 2003 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.

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

The Company made no changes in or had any disagreements with its independent accountants during the two most recent fiscal years or any subsequent interim period.

**ITEM 9A. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, management of the Company, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation 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 and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective, in all material respects, in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported as and when required by the SEC.

There were no changes in the Company’s internal control over financial reporting during the three months ended December 31, 2003 that have materially affected, or are reasonably likely to affect materially, the Company’s internal control over financial reporting.

**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 Proxy Statement for its Annual Meeting of Shareholders to be held May 27, 2004 under the captions "Nominees to Serve as Class II Directors Until the Annual Meeting of Shareholders in Year 2007", "Class I — Continuing Directors Serving Until the Year 2006", "Class III — Continuing Directors Serving Until the Year 2005", "Executive Officers of the Company" and "Section 16(a) Beneficial Ownership Reporting Compliance" and is incorporated herein by reference.

The Company has adopted a Corporate Code of Ethics which complies with the rules of the SEC and the listing standards of the Nasdaq National Market. The code applies to all of the Company's directors, officers and employees and is attached hereto as Exhibit 14.1 and posted on the Company's website ([www.wintrust.com](http://www.wintrust.com)). The Company will post on its website any amendments to, or waivers from, its Corporate Code of Ethics as the code applies to its directors or executive officers.

**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 Company’s Proxy Statement.

The following table summarizes information as of December 31, 2003, 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)
<b>Equity compensation plans approved by security holders:</b>			
• WTFC 1997 Stock Incentive Plan, as amended	3,055,632	\$18.23	86,535
• WTFC Employee Stock Purchase Plan	N/A	N/A	264,610
• WTFC Directors Deferred Fee and Stock Plan	N/A	N/A	216,350
	<u>3,055,632</u>	<u>\$18.23</u>	<u>567,495</u>
<b>Equity compensation plans not approved by security holders <sup>(1)</sup></b>			
• N/A	—	—	—
Total <sup>(1)</sup>	<u>3,055,632</u>	<u>\$18.23</u>	<u>567,495</u>

<sup>(1)</sup> Excludes 98,111 shares of the Company’s common stock issuable pursuant to the exercise of options previously granted under the plans of Advantage National Bancorp, Inc. and Village Bancorp, Inc. The weighted average exercise price of those options is \$27.76. No additional awards will be made under these plans .

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

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

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required in response to this item will be contained in the Company’s Proxy Statement under the caption “Independent Auditor and Fees Paid” and is incorporated herein by reference.

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 2003 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, 2003 and 2002

Consolidated Statements of Income for the Years Ended December 31, 2003, 2002 and 2001

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2003, 2002 and 2001

Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001

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.

## Table of Contents

- 10.6 Amended and Restated Loan Agreement (\$75 million) between Wintrust Financial Corporation and LaSalle National Association, dated October 29, 2002 (incorporated by reference to Exhibit 10.9 of the Company's Form 10-K for the year ending December 31, 2002).
- 10.7 Second Amended and Restated Loan Agreement between Wintrust Financial Corporation and LaSalle Bank, National Association, dated April 30, 2003.
- 10.8 \$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle National Association, dated October 29, 2002 (incorporated by reference to Exhibit 10.9 of the Company's Form 10-K for the year ending December 31, 2002).
- 10.9 \$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle National Association, dated April 30, 2003 (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ending June 30, 2003).
- 10.10 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). \*
- 10.22 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, Senior Executive Vice President and Chief Operating 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). \*
- 10.23 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, Senior Executive Vice President and Chief Operating 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). \*
- 10.24 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 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). \*

## Table of Contents

10.26	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). *
10.27	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). *
10.28	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.) *
10.29	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). *
10.30	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). *
12.1	Computation of Ratio of Earnings to Fixed Charges.
13.1	2003 Annual Report to Shareholders.
14.1	Code of Ethics
21.1	Subsidiaries of the Registrant.
23.1	Consent of Independent Auditors.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

## Table of Contents

### (b) Reports on Form 8-K

Two reports on Form 8-K were filed with the Securities and Exchange Commission during the fourth quarter of 2003.

- October 16, 2003 — Form 8-K filed with the SEC to provide the Company's third quarter 2003 earnings release dated October 16, 2003.
- December 9, 2003 — Form 8-K filed with the SEC to report the issuance of \$20 million of floating rate trust preferred securities in a private placement offering on December 8, 2003.

**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)

<b>Edward J. Wehmer</b>	/s/ EDWARD J. WEHMER _____ President and Chief Executive Officer	March 15, 2004
<b>David L. Stoehr</b>	/s/ DAVID L. STOEHR _____ Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2004

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.

<b>John S. Lillard</b>	/s/ JOHN S. LILLARD _____ Chairman of the Board of Directors	March 15, 2004
<b>Edward J. Wehmer</b>	/s/ EDWARD J. WEHMER _____ President and CEO and Director	March 15, 2004
<b>Peter D. Crist</b>	/s/ PETER D. CRIST _____ Director	March 15, 2004
<b>Bruce K. Crowther</b>	/s/ BRUCE K. CROWTHER _____ Director	March 15, 2004
<b>Bert A. Getz, Jr.</b>	/s/ BERT A. GETZ, JR. _____ Director	March 15, 2004
<b>Philip W. Hummer</b>	/s/ PHILIP W. HUMMER _____ Director	March 15, 2004
<b>James B. McCarthy</b>	/s/ JAMES B. MCCARTHY _____ Director	March 15, 2004
<b>Marguerite Savard McKenna</b>	/s/ MARGUERITE SAVARD MCKENNA _____ Director	March 15, 2004

**Table of Contents**

<b>Albin F. Moschner</b>	/s/ ALBIN F. MOSCHNER <hr/> Director	March 15, 2004
<b>Thomas J. Neis</b>	/s/ THOMAS J. NEIS <hr/> Director	March 15, 2004
<b>Hollis W. Rademacher</b>	/s/ HOLLIS W. RADEMACHER <hr/> Director	March 15, 2004
<b>J. Christopher Reyes</b>	/s/ J. CHRISTOPHER REYES <hr/> Director	March 15, 2004
<b>John J. Schornack</b>	/s/ JOHN J. SCHORNACK <hr/> Director	March 15, 2004
<b>Ingrid S. Stafford</b>	/s/ INGRID S. STAFFORD <hr/> Director	March 15, 2004

## EXHIBIT INDEX

Exhibit Number	Description
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.
10.6	Amended and Restated Loan Agreement (\$75 million) between Wintrust Financial Corporation and LaSalle National Association, dated October 29, 2002 (incorporated by reference to Exhibit 10.9 of the Company's Form 10-K for the year ending December 31, 2002).
10.7	Second Amended and Restated Loan Agreement between Wintrust Financial Corporation and LaSalle Bank, National Association, dated April 30, 2003.
10.8	\$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle National Association, dated October 29, 2002 (incorporated by reference to Exhibit 10.9 of the Company's Form 10-K for the year ending December 31, 2002).

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## Table of Contents

Exhibit Number	Description
10.9	\$25 million Subordinated Note between Wintrust Financial Corporation and LaSalle National Association, dated April 30, 2003 (incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q for the quarter ending June 30, 2003).
10.10	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). *
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10.25	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). *
10.26	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). *

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## Table of Contents

<b>Exhibit Number</b>	<b>Description</b>
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10.28	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.) *
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31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



## SECOND AMENDED AND RESTATED LOAN AGREEMENT

This SECOND AMENDED AND RESTATED LOAN AGREEMENT (the “Agreement”), dated as of April 30, 2003, 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 Amended and Restated Loan Agreement dated as of October 29, 2002, and the Borrower desires to restructure its financing by reducing the existing \$50,000,000 loan to \$25,000,000 and by extending its maturity date to May 1, 2004, and by borrowing an additional \$1,000,000, 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;

WHEREAS, the \$25,000,000 Revolving Note dated October 29, 2002, maturing February 27, 2006, executed by Borrower in favor of Lender shall remain in full force and effect, but shall be subject to the terms of this 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 Amended and Restated 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:

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**AGREEMENT :**

**1. Commitment of LaSalle.**

LaSalle agrees to extend, or continue to extend, loans (each a "Loan" and collectively the "Loans") to the Borrower in the principal amount of ONE MILLION DOLLARS (\$1,000,000), evidenced by a promissory note (the "Note 1"), an existing loan to the Borrower in the principal amount of TWENTY FIVE MILLION DOLLARS (\$25,000,000) maturing February 27, 2006, evidenced by a promissory note (the "Note 2"), and a loan to the Borrower in the principal amount of TWENTY FIVE MILLION DOLLARS (\$25,000,000), evidenced by a promissory note (the "Note 3") (Note 1, Note 2 and Note 3 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;

(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 ONE MILLION DOLLARS (\$1,000,000), by Note 2 previously executed by Borrower in the principal amount of TWENTY FIVE MILLION DOLLARS (\$25,000,000), and by Note 3 executed by Borrower in the principal amount of TWENTY FIVE MILLION DOLLARS (\$25,000,000), which Notes shall be, or are, in the form set forth as **Exhibit A** , **Exhibit B** and **Exhibit C** hereto, respectively.

(a) Interest on amounts outstanding under the Notes shall be payable quarterly, in arrears, commencing on May 29, 2002, and continuing on each May 29, August 29, November 29, February 28, and May 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 May 1, 2013.

(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 February 27, 2006.

(d) A final payment of all outstanding amounts due under Note 3, 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 1, 2004.

(e) 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.

(f) 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.

(g) 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.

(h) 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 and Note 3, prorata; (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 and Note 3, prorata; (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 relating to Note 2 and Note 3 are permitted at any time, and shall be applied to the next succeeding principal payment due. Any prepayments of LIBOR Loans relating to Note 2 and Note 3 shall be subject to the terms of Section 3(c) and Section 3(d), above, as applicable. Prepayment of Note 1 is not permitted unless subordinated notes or debentures issued by the Borrower and owned by LaSalle have been paid in full and shall also be subject to the terms of Section 3(b), 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 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 (as defined in the Pledge Agreement) 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 \$50,000,000 (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, except pursuant to the Pledge Agreement;

(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 each of 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 earning 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 at 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 60045  
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.

(remainder of page left intentionally blank; signature page follows)

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

LASALLE BANK NATIONAL ASSOCIATION

WINTRUST FINANCIAL CORPORATION

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

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

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

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



**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,				
		2003	2002	2001	2000	1999
Income before income taxes	A	\$59,344	\$42,495	\$29,129	\$16,448	\$14,151
Interest expense:						
Interest on deposits		\$67,963	\$70,061	\$83,503	\$78,670	\$56,026
Interest on other borrowings	C	15,536	14,044	8,938	8,514	5,571
Total interest expense	B	83,499	\$84,105	\$92,441	\$87,184	\$61,597
Ratio of earnings to fixed charges:						
Including deposit interest	(A+B)/B	1.71x	1.51x	1.32x	1.19x	1.23x
Excluding deposit interest	(A+C)/C	4.82x	4.03x	4.26x	2.93x	3.54x



## 2003 Highlights — Another “Up” Year For Wintrust

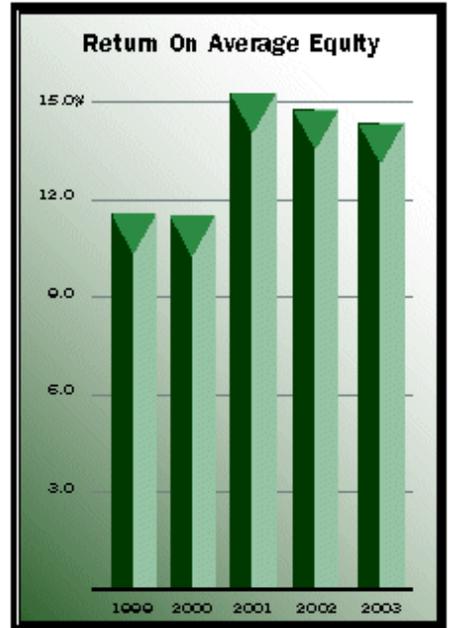
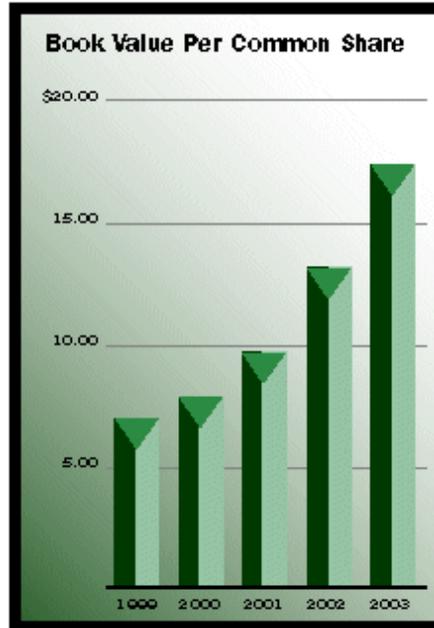
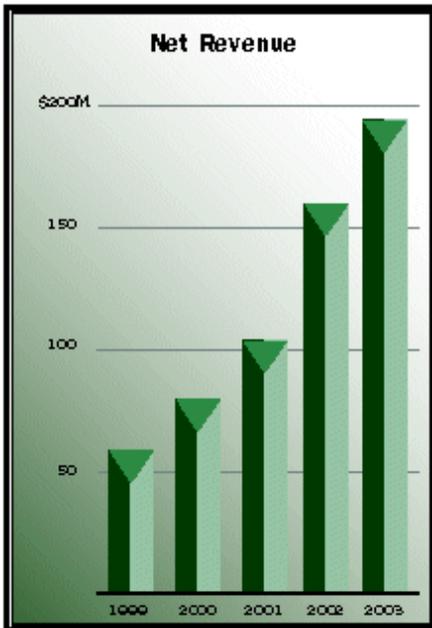
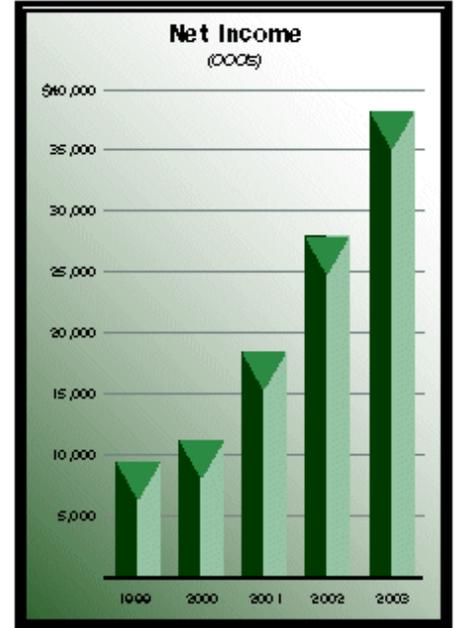
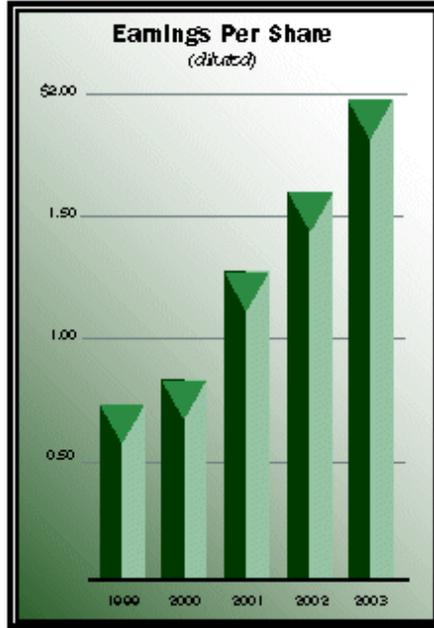
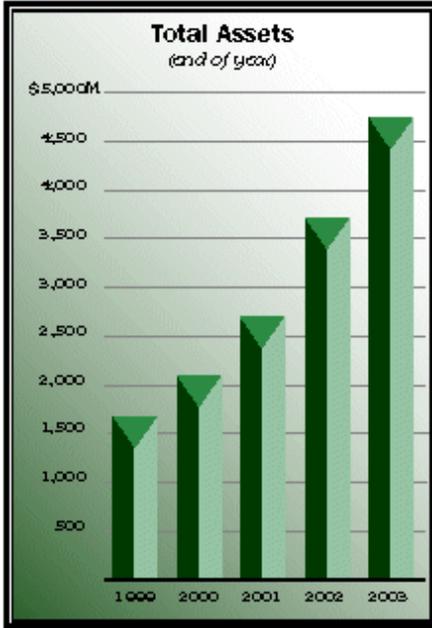
### Wintrust Financial Corporation (compared to one year ago)

- ▲ Earnings up 37%
- ▲ Earnings per share up 24% (with additional shares)
- ▲ Net revenue up 22%
- ▲ Total assets up 28%
- ▲ Total deposits up 25%
- ▲ Total loans up 29%
- ▲ Total equity up 54%
- ▲ Net overhead ratio improved to 1.22%
- ▲ Return on average assets up 7 basis points to 0.93%
- ▲ Book value per common share up 32%
- ▲ Successfully raised \$46.1 million via a common stock offering
- ▲ Successfully completed the acquisitions of:
  - Lake Forest Capital Management
  - Advantage National Bancorp, Inc.
  - Village Bancorp, Inc.
- ▲ Market price per common share up 44% at year-end

*We have always had a policy of presenting our goals, objectives and financial results in an upfront 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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*Selected Financial Trends*



## Selected Financial Highlights

	Years Ended December 31,				
	2003	2002	2001	2000	1999
(dollars in thousands, except per share data)					
<b>Selected Financial Condition Data (at end of year):</b>					
Total assets	\$ 4,747,398	\$ 3,721,555	\$ 2,705,422	\$ 2,102,806	\$ 1,679,382
Total loans	3,297,794	2,556,086	2,018,479	1,547,596	1,270,126
Total deposits	3,876,621	3,089,124	2,314,636	1,826,576	1,463,622
Notes payable	26,000	44,025	46,575	27,575	8,350
Subordinated notes	50,000	25,000	—	—	—
Federal Home Loan Bank advances	144,026	140,000	90,000	—	—
Long term debt — trust preferred securities	96,811	50,894	51,050	51,050	31,050
Total shareholders' equity	349,837	227,002	141,278	102,276	92,947
<b>Selected Statements of Operations Data:</b>					
Net interest income	\$ 120,492	\$ 98,128	\$ 74,014	\$ 61,000	\$ 47,734
Net revenue	193,084	158,800	102,812	79,306	57,542
Net income	38,118	27,875	18,439	11,155	9,427
Net income per common share — Basic	2.11	1.71	1.34	0.85	0.76
Net income per common share — Diluted	1.98	1.60	1.27	0.83	0.73
Cash dividends declared per common share	0.16	0.12	0.093	0.067	—
<b>Selected Financial Ratios and Other Data:</b>					
<i>Performance Ratios:</i>					
Net interest margin	3.20%	3.34%	3.49%	3.66%	3.54%
Core net interest margin <sup>(1)</sup>	3.32	3.51	3.73	3.91	3.75
Non-interest income to average assets	1.76	1.89	1.24	0.99	0.66
Non-interest expense to average assets	2.98	3.30	2.83	3.12	2.65
Net overhead ratio <sup>(2)</sup>	1.22	1.41	1.59	2.13	2.00
Efficiency ratio <sup>(3)</sup>	63.52	66.41	63.66	72.33	68.63
Return on average assets	0.93	0.87	0.79	0.60	0.63
Return on average equity	14.36	14.76	15.24	11.51	11.58
Average total assets	\$ 4,116,618	\$ 3,212,467	\$ 2,328,032	\$ 1,853,582	\$ 1,496,566
Average total shareholders' equity	265,495	188,849	120,995	96,918	81,381
Ending loan-to-deposit ratio	85.1%	82.7%	87.2%	84.7%	86.8%
Average loans to average deposits ratio	86.4	88.5	87.4	87.7	86.6
Average interest earning assets to average interest bearing liabilities	109.68	109.86	109.35	107.24	106.96
<i>Asset Quality Ratios:</i>					
Non-performing loans to total loans	0.72%	0.49%	0.64%	0.63%	0.55%
Non-performing assets to total assets	0.51	0.34	0.48	0.46	0.41
Allowance for loan losses to:					
Total loans	0.77	0.72	0.68	0.67	0.69
Non-performing loans	107.59	146.63	105.63	107.75	126.10
<i>Common Share Data at end of year:</i>					
Market price per common share	\$ 45.10	\$ 31.32	\$ 20.38	\$ 10.63	\$ 10.17
Book value per common share	\$ 17.43	\$ 13.19	\$ 9.72	\$ 7.92	\$ 7.06
Common shares outstanding	20,066,265	17,216,270	14,531,665	12,921,592	13,156,207
<i>Other Data at end of year:</i>					
Number of:					
Bank subsidiaries	9	7	7	7	6
Non-bank subsidiaries	7	7	3	3	3
Banking offices	36	31	29	28	24

(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 Shareholders,

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

### A Quick Overview-New Financial Records

2003 was another terrific year for our young organization and its growing family of companies. We have again achieved record growth in net income (up \$10 million or 37%), assets (up \$1.0 billion or 28%), deposits (up \$787 million or 25%), loans (up \$742 million or 29%), net revenue (up \$34 million or 22%), and in spite of continuing record low interest rates, net interest income grew substantially (up \$22 million or 23%). And once again Wintrust is one of the fastest growing financial services groups in the U.S. in terms of the rate of growth of both earnings and assets.

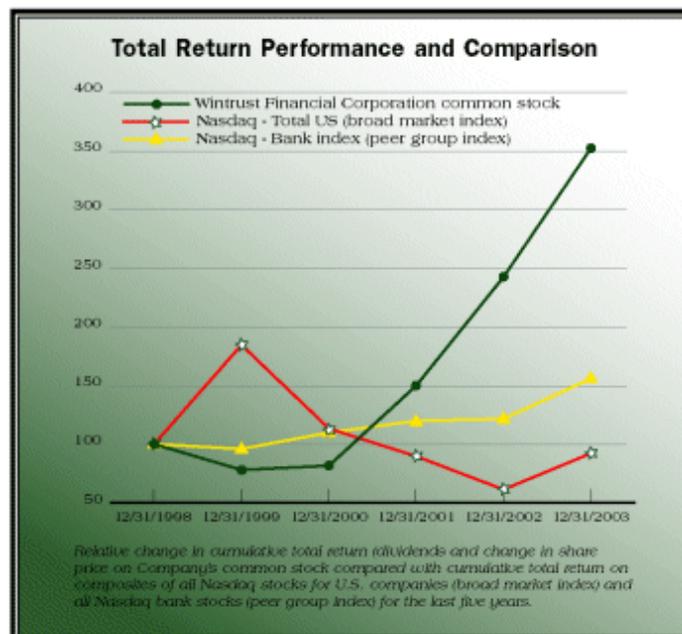
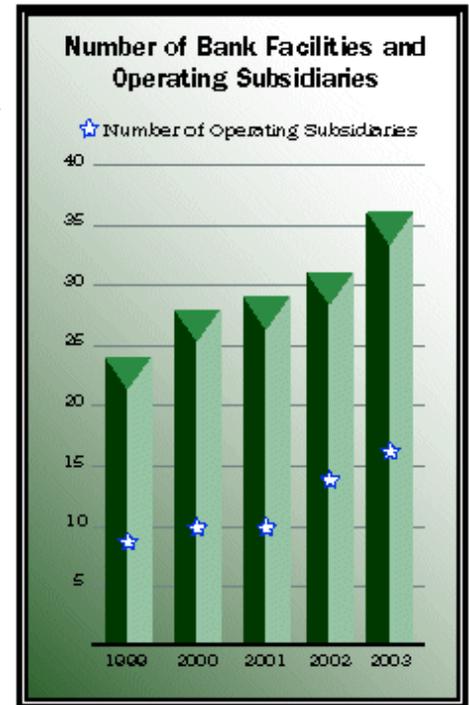
### Improving Our Banking and Wealth Management Capabilities

In addition to these financial growth records, we also grew and improved our banking capabilities in a number of ways. In 2003, we successfully opened three new permanent banking facilities in north suburban Chicago—Cary Bank & Trust, North Shore Community Bank & Trust-Skokie and Libertyville Bank & Trust-South Libertyville. We also closed on two bank acquisitions, Advantage National Bank (ANB) and Village Bank and Trust (VB&T). ANB, with facilities in Elk Grove Village and Roselle, and VB&T, with facilities in Arlington Heights and Prospect Heights, give us instant access to four strong banking markets in the northwest Chicago corridor.

We have also made some very good progress on the wealth management side of our business. We closed on the acquisition of Lake Forest Capital Management which added valuable client assets, as well as some very experienced money manager talent. We also made some additional personnel moves to strengthen our management team.

In September, to support ongoing growth and to accommodate the prospects for continued expansion, we raised our capitalization level and completed the sale of 1,377,108 shares, including the underwriters' over-allotment option, of common stock in connection with the Company's underwritten public offering. The offering was priced at \$35.80 per share, and all of the shares were newly issued. Net proceeds to the Company from the sale, after deducting the underwriting discount and estimated offering expenses, were approximately \$46.1 million. As a result of this capital offering, earnings, additional subordinated debt resources and the issuance of additional trust preferred securities, Wintrust added approximately \$183 million of regulatory capital in 2003. The additional capital adds significant strength to our balance sheet and positions us well for future growth.

Overall, 2003 was a very good year for Wintrust. And the marketplace agrees. Our stock price increased 44% in 2003 on top of a 54% increase for the previous year.



## **Some Thank You's Are In Order**

As we have done every year in this report, it's most appropriate to start off by thanking all of our dedicated employees who continue to provide our customers and clients with the best service around, bar none. And a heartfelt thank you to our management teams. Without

your leadership, commitment, and team building, Wintrust would not be nearly as profitable or respected in the marketplace.

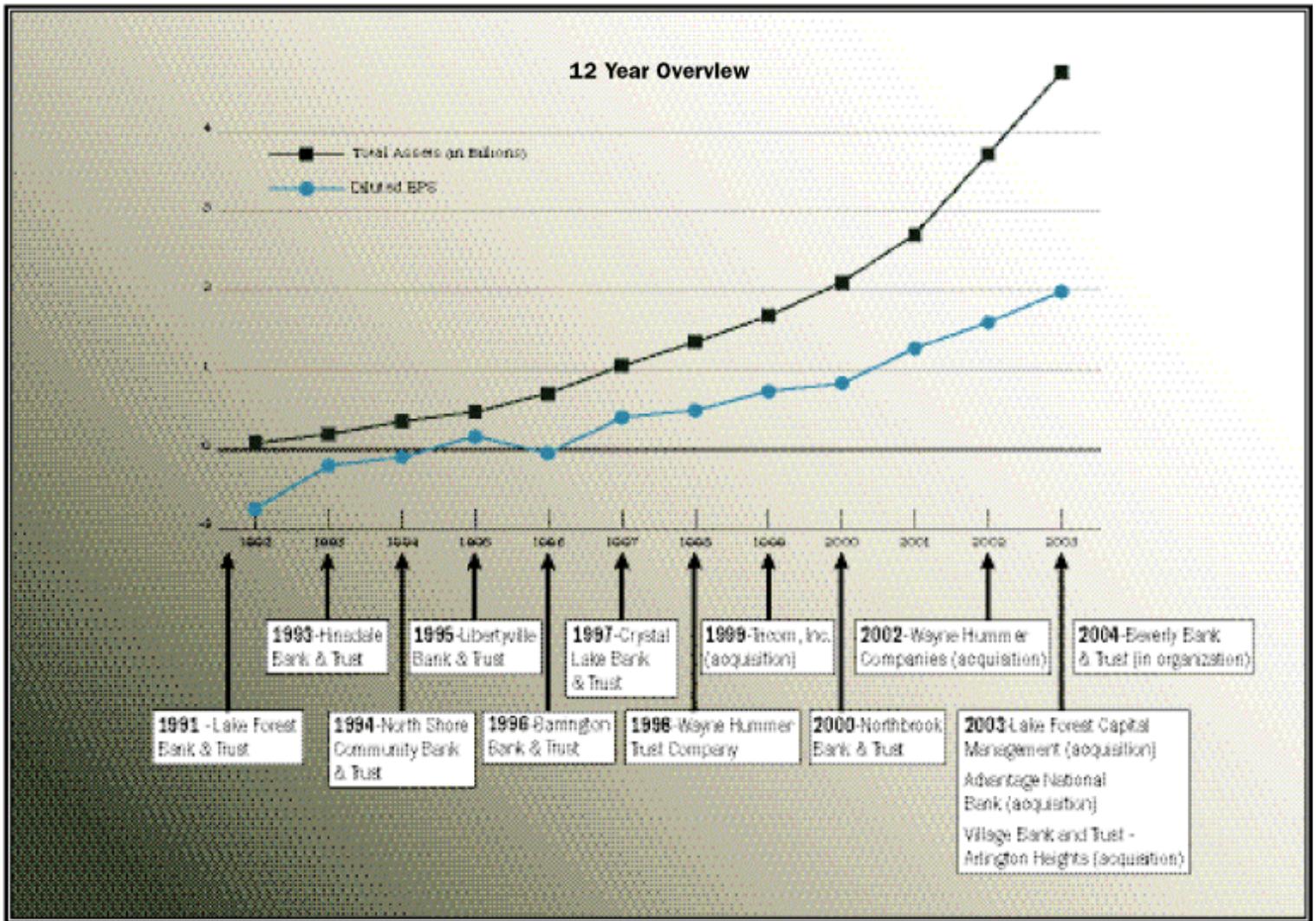
We'd also like to thank our customers—banking, investment, trust, premium finance, employment agencies—for trusting us to assist them with their financial affairs. And a thank you to our more than 100 directors of Wintrust Financial Corporation and its subsidiaries for their sage advice and community contacts. And finally we'd like to thank our shareholders, for keeping us focused on what we do best—profitably growing our franchises by delivering our hands-on brand of superior customer service and products uniquely positioned to meet consumer needs.

### Come a Long Way, Still a Ways To Go

It's amazing how far we have come since December 27, 1991, when we started with a single community bank and twelve total employees in a temporary facility on Western Avenue in Lake Forest. In that short twelve years, we have now grown to nine individually chartered community banks with 36 total banking facilities in the Chicagoland area, four wealth management companies (Wayne Hummer Investments [WHI], Wayne Hummer Asset Management Company [WHAMC], Wayne Hummer Trust Company, [WHTC] and Focused Investments [FI]) with six locations in the Midwest, and three additional companies (FIRST Insurance Funding Corp. [FIRST], Tricom, Inc. [Tricom] and Wintrust Information Technology Services [WITS]) that provide earning assets and other services to the Wintrust banks. That's sixteen young growing companies and over 1,000 dedicated employees that make up the Wintrust Financial Corporation team.

### So Where Are We Going?

In 2004, we are investing aggressively in new banking and wealth management capabilities.





Land has been purchased and/or plans are being developed for nine new Illinois branch facilities including locations in Ravinia (Highland Park), Downers Grove, Gurnee, Buffalo Grove, Lake Villa, West Northbrook, Palatine, and the Sauganash neighborhood of Chicago, as well as a private banking branch located in our downtown Chicago Wayne Hummer offices. Additionally, in two current markets, we are adding a much requested drive-through to the Lake Bluff branch of Lake Forest Bank & Trust and we have begun construction on Highland Park Bank & Trust's spectacular new permanent facility. We have also started construction on community bank #10, Beverly Bank & Trust Company, N.A. (BevB&T), on the southwest side of Chicago.

We have aggressive growth plans for Wayne Hummer as well. We are looking to continue to hire Financial Advisors into many of our banks and branches, as well as our downtown Chicago location. Our current model is working well—hiring very experienced brokers who are typically leaving larger multi-national investment firms and relish the opportunity to work locally for the more entrepreneurial Wayne Hummer group. To date we have five brokers in our community banks and are looking to bring the total up to 10-15 in 2004.

We also plan on expanding our Insured Bank Deposits™ Program by marketing a “retail” Certificate of Deposit product with up to \$900,000 (soon to be \$1,000,000 with BevB&T opening) in FDIC coverage. We also plan to offer a “wholesale” version of this proprietary multiple FDIC insurance sweep technology to area money managers and investment firms. The benefits to Wintrust are significant if we are able to bring these deposits into our banks to fund excess loans and make a larger spread than we can generate by selling these excess loans to outside financial institutions.

### What Comes Next?

Please enjoy the remainder of our 2003 Annual Report, which highlights the following areas:

Page	Topic
7	Overall Financial Performance
10	Corporate Map
11	Update on Our Existing Bank Franchises
15	Update on Our Wayne Hummer Wealth Management Companies
17	Update on Our Other Strategic Companies
19	Growth and Earnings Strategies
27	The Brands We Market
28	Audited Consolidated Financial Statements
62	Management's Discussion and Analysis
98	Leadership—Directors & Officers
106	Corporate Locations
108	Corporate Information

### Summary

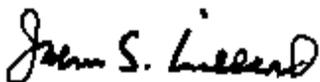
In summary, we continue to be pleased with the Company's performance. 2003 was a very good year in terms of executing our strategy of balancing growth of the balance sheet with growth in earnings. We are excited about our opportunities in community banking, wealth management, and all of our other businesses.

Our biggest challenge as we grow is to continue to act “small” in terms of how we treat our customers. Small companies and small community banks, because they are closer to the end customer, traditionally have provided better customer service than larger ones. If we continue to act small and provide superior customer service, we will also continue to grow profitably.

We remain grateful for your support of our organization and are enthusiastic about making 2004 another “up” year for our company and our shareholders.

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

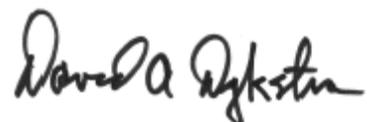
Sincerely,



John S. Lillard  
Chairman



Edward J. Wehmer  
President &  
Chief Executive Officer



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



## Overall Financial Performance

2003 was another strong year for our growing Company. Wintrust grew total assets in 2003 by \$1 billion and increased earnings by 37%. This is on the heels of \$1 billion in asset growth and 51% earnings growth in 2002. The Company increased shareholders' equity by \$123 million and regulatory capital by \$183 million in 2003, adding significant strength to our balance sheet.

On a year-to-date basis, net income per diluted common share totaled \$1.98 compared to the \$1.60 reported in 2002, a 24% increase. The lower growth rate in the earnings per share as compared to net income was primarily due to the issuance of 1,377,108 shares of common stock at the end of September, 2003, the issuance of 670,875 shares of common stock at the beginning of October, 2003, for the acquisition of Advantage National Bancorp, Inc. and the issuance in early December, 2003 of 257,202 shares of common stock for the acquisition of Village Bancorp, Inc.

### Fourth Quarter "Run Rate" Illustrates Future Growth Potential

As a relatively young organization that continues to aggressively grow both assets and earnings, looking at our "total year" results can understate our true potential. If we were to annualize the fourth quarter's net income and project it out for 12 months, we would generate net after-tax income in 2004 of \$43.7 million, before any improvement in performance. This would represent a 15% pro-forma increase in net income over 2003 results, before any expected improvement. If we were to factor in growth, which is reasonable given our track record and the continued maturation of our young franchise, we conclude that Wintrust Financial Corporation should have another impressive year in 2004.

### Double Digit Compound Growth

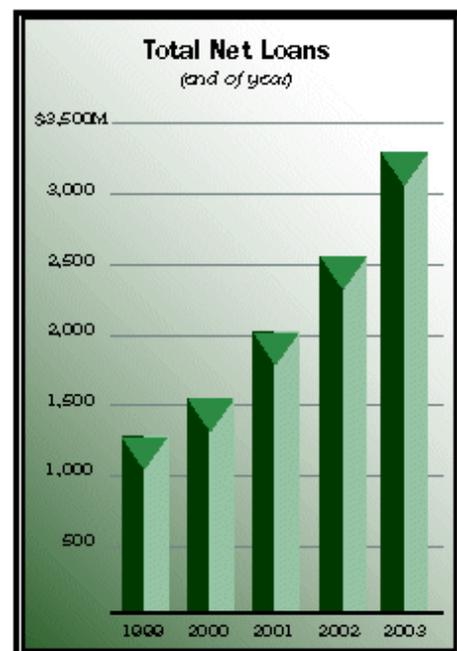
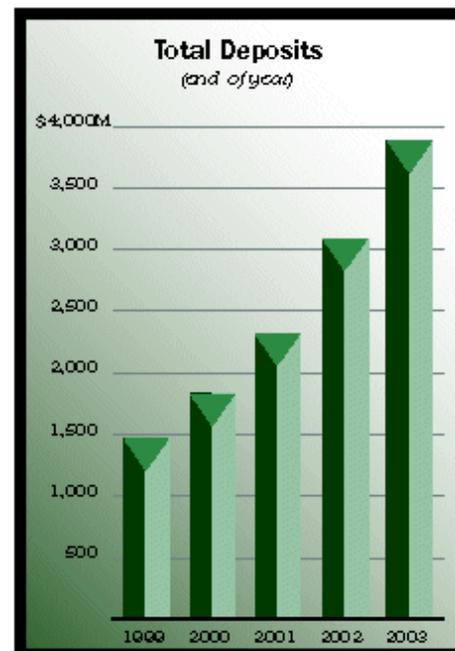
In our seventh full year as a public corporation, we continue to make terrific progress on all fronts. Through our continued expansion, aggressive marketing efforts, and targeted acquisitions, we have been able to achieve something that few financial services groups around the country can claim—compound growth rates in assets, revenues and earnings that consistently exceed peer group. Our earnings are growing very quickly as our portfolio of community banks mature and we reap the benefits of being an asset-driven organization.

Compound Growth Rates

	1 year	2 year	3 year	4 year	5 year
Total Assets	27.6%	32.5%	31.2%	29.7%	28.6%
Total Loans	29.0%	27.8%	28.7%	26.9%	27.6%
Total Deposits	25.0%	29.4%	28.5%	27.6%	25.8%
Total Revenue	21.6%	37.0%	34.5%	35.3%	33.9%
Net Income	36.7%	43.8%	50.6%	41.8%	43.6%
Diluted Earnings Per Share	23.8%	24.9%	33.8%	28.3%	32.2%

### Performance Versus Goals

At Wintrust, we have always had a policy of presenting our goals, objectives and financial results in an up-front manner to our shareholders. We set aggressive goals and evaluate our performance versus those goals. Progressing towards these financial goals will make us a high performing company. In 2003, we made progress towards achieving some 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:



## Performance Measurements

	Our Goal	Year ended 12/31,		
		2003	2002	2001
Core Net Interest Margin <sup>(1)</sup>	4-4.5 %	3.32%	3.51%	3.73%
Net Overhead Ratio	1.5 - 2.0 %	1.22%	1.41%	1.59%
Return on Average Equity	20-25 %	14.36%	14.76%	15.24%
Return on Average Assets	1.5 %	0.93%	0.87%	0.79%
Earnings per Diluted Common Share		\$ 1.98	\$ 1.60	\$ 1.27

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

- Our core net interest margin contracted 19 basis points in 2003 versus the prior year primarily due to compression of rates, our desire to maintain an asset-sensitive balance sheet, and the nature of community banking. We are, however, positioned for expected future rate increases;
- Our net overhead ratio, a measure of operating efficiency, improved to 1.22% for the year, compared to 1.41% in 2002;
- Return on average equity for 2003 stood at 14.4%, down slightly from last year's 14.8% due to the issuance of additional shares. However, the additional shares raised equity that provides us with capital to continue our future growth, and;
- Return on average assets improved to 0.93% for the year, compared to 0.87% for 2002.

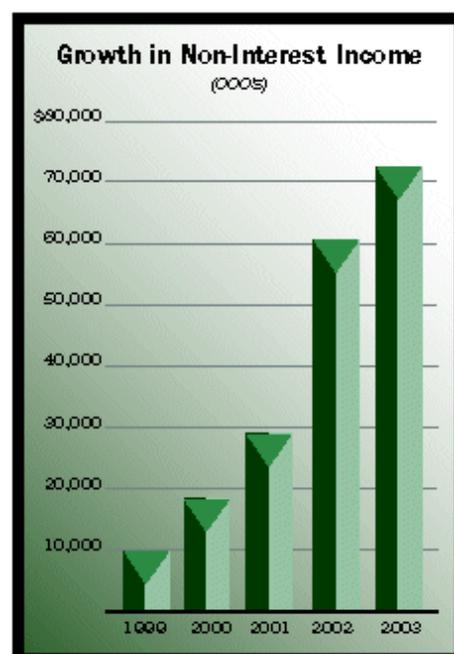
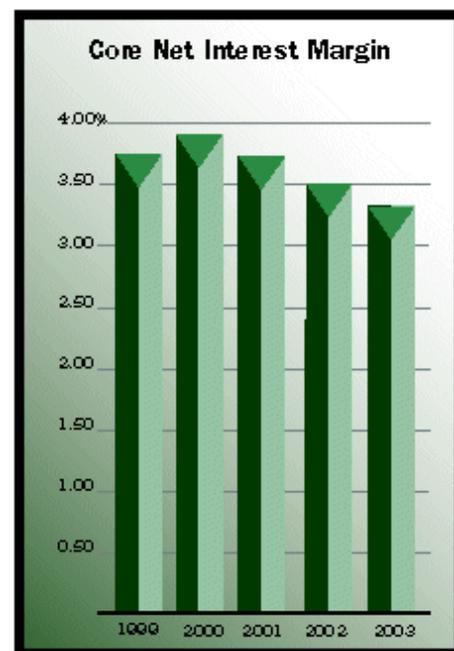
### Interest Margin and Other Income

The core net interest margin for 2003 was 3.32%, compared to 3.51% in 2002. The decline was due to a lower average loan-to-deposit ratio and depressed interest rates. Nevertheless, net interest income totaled \$120.5 million for 2003, an increase of \$22.4 million, or 23%, over 2002. Record historical low interest rates have resulted in a compression of our net interest margin. However, the Company's balance sheet is positioned to benefit from higher interest rates.

We continue to execute our strategy of diversifying our revenue streams so we can weather any adverse economic conditions that may impact a section of our operating earnings. In 2003, our non-interest income grew to \$72.6 million, an increase of 20% over the prior year. This growth was mainly a result of a higher level of fees from our wealth management business, fees from originating and selling residential mortgage loans into the secondary market, an increase in income from premium finance receivables which were sold to an unrelated third party, and enhanced fee income received from active management of our investment portfolio.

### Asset Quality Better Than Peer Group

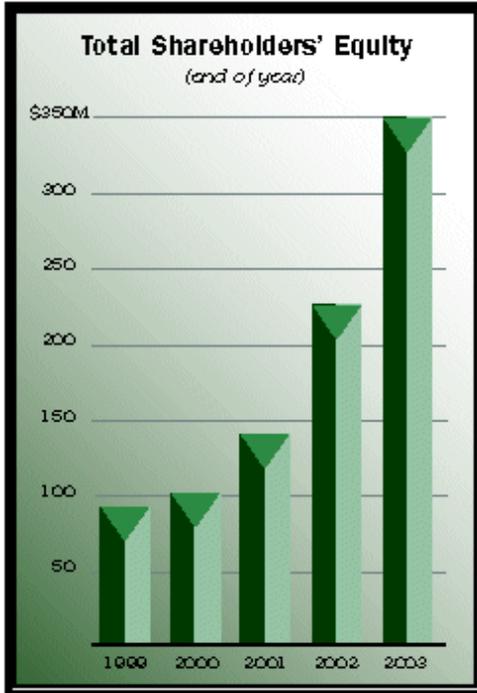
Your management understands that maintaining good credit quality is extremely important to overall profitability. Careful underwriting of loans and diversification of credit risks contribute to the low level of problem loans. We also work very hard to ensure that credits that do become problematic are worked tirelessly to minimize potential loss to our company. At December 31, 2003, non-performing assets totaled \$24.1 million, or 0.51% of total assets, compared to year ago level of 0.34% of total assets. The increase in the level of non-performing assets is attributable to just a few large well collateralized credits in the process of collection for which management does not expect to incur any significant losses.





## Successful Capital Offering

In September, we announced the closing of an underwritten offering of 1,197,486 shares of common stock at a price of \$35.80 per share. We also granted the underwriters of the offering a 30-day over-allotment option to purchase up to an additional 179,622 shares, which was also exercised. Net proceeds, after commissions and costs, to the Company were approximately \$46.1 million. RBC Capital Markets acted as lead manager of the underwriters for the offering and U.S. Bancorp Piper Jaffray Inc., Raymond James & Associates, Inc., Stifel, Nicolaus & Company, Incorporated and Sander O'Neill & Partners, L.P. acted as co-managers.



The additional equity has helped to increase the liquidity of our stock in the marketplace and raised our market capitalization to nearly \$1 billion. We are very pleased with the results of the offering. The additional capital was used to fund our recent acquisitions, to increase the capital at our existing banks, to pursue future growth opportunities (internal, additional *de novo* locations and possible acquisitions) and for general corporate purposes.

## Dividend Payment Growing

In January and July of 2003, our Board of Directors approved a semi-annual cash dividend of \$0.08 per share of outstanding common stock. These dividends were paid in February and August. This annualized cash dividend of \$0.16 per share represented a 33.3% increase over the per share common stock dividends paid during 2002.

And in January 2004, our Board approved a semi-annual cash dividend of \$0.10 per share of outstanding common stock. The dividend was paid on February 19, 2004 to shareholders of record as of February 5, 2004. This cash dividend, on an annualized basis, represents a 25.0% increase over the per share common stock dividends paid during 2003.

Although we have increased the dividend 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. We also continue to consider a dividend reinvestment plan. The current dividend level is too small to make any such plan operationally efficient. However, such a plan is not out of the question if we are able to continue our precedent of increasing dividends in the future.

## *Corporate Map*





## Update On Our Existing Bank Franchises

### Our Community Banks

In total we now have 36 banking facilities serving 27 suburban Chicago communities. Congratulations to each of our seven “home-grown” Wintrust community banks which all posted record levels in assets, deposits, loans and earnings in 2003. Also, we would like to extend a warm welcome to our newest community banking family members—Advantage National Bank and Village Bank and Trust—Arlington Heights. In recognition of the strong performance of our subsidiary management teams and board members, we are including a short update on their achievements in 2003 and plans for 2004.

### Lake Forest Bank & Trust

Lake Forest Bank & Trust Company® (LFB&T), in operation for over 12 years, reached \$1.09 billion in assets, an increase of \$190 million, or 21%, over 2002, excellent growth from Wintrust’s most mature bank. LFB&T is now the 36th largest out of 305 banks in the Chicago Metropolitan Statistical Area (MSA) based on FDIC deposit market share for the 12 months ending June 30, 2003. LFB&T generated a 2.00% return on average assets in 2003.

LFB&T operates seven banking facilities in Lake Forest, West Lake Forest, Lake Bluff, Highwood and Highland Park. FDIC data as of June 30, 2003 indicated that LFB&T now has the #1 market share in deposits in Lake Forest and the #2 share in Lake Bluff. Bank of Highwood-Fort Sheridan®, a branch of LFB&T, maintains the #1 market share for their market as well.

We will be adding drive-through capabilities to our Lake Bluff facility. In addition, HPB&T has broken ground on their permanent facility and should be ready to re-locate in late 2004. Also, a site has been secured and construction is well underway for a facility serving the Ravinia area of Highland Park.

### Hinsdale Bank & Trust

Hinsdale Bank & Trust Company® (HB&T) had a very good year as they celebrated their 10th anniversary of service in 2003. Total assets grew 16% in 2003 and now stand in excess of \$745 million. Similarly, deposits grew a like amount and now total in excess of \$600 million. This makes HB&T the 47th largest out of 305 banks in the Chicago MSA based on FDIC deposit market share for the 12 months ending June 30, 2003. Net profit grew 19%. HB&T operated with an efficient 1.28% net overhead ratio and generated a 1.14% return on average assets in 2003.

HB&T operates five banking facilities in Hinsdale, Clarendon Hills (Clarendon Hills Bank®), Western Springs (The Community Bank of Western Springs®), and Riverside (Riverside Bank®). As of June 30, 2003, FDIC data indicated that HB&T was the #2 bank in its original market area based on deposits.

To augment future growth we have embarked upon the opening of Community Bank of Downers Grove™. Construction of the temporary facility commenced in December and the branch was opened in March of 2004. Ground breaking for the permanent building will take place upon receipt of all municipal and regulatory

**MICHAEL'S CHOSE BANKING SERVICES  
THEY CAN RELISH!**

**Michael's**

Michael's  
8179 26th Street  
Highland Park  
847.213.0038

**Michael's**

Since 1977, Michael's Hot Dogs has been serving a lot more than Chicago's hot red hot. Chicken, burgers, salads, baked potatoes, a host healthy menu and great personal service are just part of the Michael's experience.

In addition to a great menu, Michael's is also a great location to host a party. With seating for nearly 300, Michael's can provide everything from appetizers to a full bar... even custom decorations.

For financial services, Michael's looked for a bank that could match their friendly, personal service, while having a large menu of products to choose from.

They found Highland Park Bank & Trust. Since many of the bank's officers and staff are well known faces in the community, working with them is like continuing a friendship. By focusing on community needs and a belief that a personal relationship is good business, Michael's and Highland Park Bank & Trust have grown together.

Follow Michael's recipe for success.  
Depend on Highland Park Bank & Trust  
for great business and personal banking that caters to your needs.

To find out more about our commercial banking services,  
call Sandy McCarran at 847-266-9400.

**HIGHLAND PARK BANK  
& TRUST**

800 Central Avenue, Suite 1020 • Highland Park  
847.213.0038

**Highland Park Bank & Trust**

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*Celebrate 10 years of community banking in Hinsdale!*

The holidays are here, and so is our tenth anniversary. Which means we have plenty to celebrate, including ten years of being part of the Hinsdale community and fulfilling our promise to be your hometown bank. We'd like to show our appreciation by offering a free holiday centerpiece when you open a Hinsdale Account. You get lots of special benefits, like discounts at local merchants, and a lovely centerpiece to help make your holidays even more beautiful.



When you bank with us, you're at home.

23 East Park Street, Hinsdale, IL 60142  
 Drive-Thru | 202 West Chestnut Street  
[www.hinsdalebank.com](http://www.hinsdalebank.com)

**OPEN AN INTEREST-BEARING HINSDALE ACCOUNT\* and get:**

- An account earning 3.0% (minimum investment)
- No minimum deposit required to open
- No monthly service charge<sup>1</sup> and no minimum monthly balance
- Free first order of checks, no charge for orders of \$4 by paper checks
- Personalized free rate CD offers, available only with direct CD purchase by way
- Other bank on tap
- Free use for Visa<sup>®</sup> Credit Card<sup>2</sup>
- No other fee than ATM Card or Your<sup>®</sup> debit card<sup>3</sup>
- Free card not banking, international and stopped checks
- Free Bill Pay
- Discounts at participating local merchants<sup>4</sup>

**FREE HOLIDAY CENTERPIECE<sup>5</sup> FROM HINSDALE FLOWER SHOP**



\*Checkbook deposit and funding not available. The Online Card payment method may. There are still charges for statements and/or notices. There is a \$2.00 monthly fee for ATM card usage. The monthly service charge applies to all other checking accounts except a Hinsdale Flower Shop account. This applies to those who have a new bank account or multiple banks. ©2010 Hinsdale Bank & Trust Company.

approvals. The excitement surrounding true community banking continues in the western suburbs of Chicago.

In 2003, the HB&T mortgage origination group closed in excess of 1,300 mortgage loans for our local residents. Similarly, the group of lenders that service independent mortgage bankers aided in over 17,000 home mortgage related closings. Also, the consumer-lending group originated \$96 million of automobile financing in 2003 while maintaining a loan delinquency rate well below 1%. Asset quality remains extremely strong. At year-end “non-performing” loans at HB&T totaled slightly less than 0.25% of total loans, an enviable statistic.

### North Shore Community Bank & Trust

Nine year old North Shore Community Bank & Trust Company® (NSCB&T) is rapidly approaching \$1 billion in assets by reaching \$870 million in assets in 2003. NSCB&T has grown to the 41st largest out of 305 banks in the Chicago MSA based on FDIC deposit market share for the 12 months ending June 30, 2003. NSCB&T operated with a respectable 1.23% net overhead ratio and generated a 0.62% return on average assets.

In 2003, NSCB&T opened its spacious new permanent facility with a drive-through in Skokie. NSCB&T operates seven banking facilities in Wilmette, Winnetka, Glencoe, and Skokie. NSCB&T is the #1 bank in its initial market area, Wilmette, and #2 in Glencoe according to FDIC data for the 12 months ending June 30, 2003.

On the slate for 2004 are new branches in the Sauganash neighborhood of Chicago and downtown Chicago (Wayne Hummer Bank). Wayne Hummer Bank will be located at Wayne Hummer’s Chicago facility, where remodeling is scheduled to be finished in the second quarter of 2004. Also, NSCB&T is currently looking into an expansion or rehab of their original Wilmette facility.

### Libertyville Bank & Trust

Libertyville Bank & Trust Company® (LB&T), which opened in October 1995 reached \$587 million in assets in 2003, an increase of \$108 million over 2002. LB&T has climbed to the 62nd largest out of 305 banks in the Chicago MSA based on FDIC deposit market share for the 12 months ending June 30, 2003. The Bank operated with an efficiency ratio of approximately 50% and net overhead ratio of 1.12%, contributing to a 0.97% return on average assets.

LB&T operates five banking locations—three in Libertyville and two in Wauconda (Wauconda Community Bank®). We’re proud to say, that in both communities, the Bank is the #1 bank in town according to FDIC deposit data ending June 30, 2003. In August, LB&T opened its permanent South Libertyville Banking Facility and received approval to open two new banking facilities in 2004 in the towns of Gurnee and Lake Villa.

### Barrington Bank & Trust

During 2003, Barrington Bank & Trust Company® (BB&T) and its branch, Hoffman Estates Community Bank® (HECB) surpassed two significant milestones—one-half billion dollars in total assets and one-half billion dollars in total deposits. According to FDIC deposit data as of June 30, 2003, BB&T is currently #2 in market share in Barrington and HECB has moved up to #3 in Hoffman Estates, as well as being the 65th largest out of 305 banks in the Chicago MSA. BB&T operated with a 1.20% net overhead ratio, and generated a 0.96% return on average assets. BB&T is in the process of planning a new branch location in the Palatine, Illinois area and plans to begin construction on their additional downtown Barrington facility in 2004.

*“What makes you think I’m not from around here?”*

Wouldn't it be nice if your bank were staffed by folks in your community? By your friends and neighbors? By people who care about the area you live in, and about you? Unlike those big banks, that's exactly what you'll find with us. Exceptional service by a staff who knows you, and is eager to go the extra mile. Fun products designed specially for you, like our Community Classic® Checking Account. Because we believe great service isn't something that should be alien to your bank.

**Community Classic® Checking Account**

- No Annual Fee (USAP ATM or Your Debit Card)
- No per check or monthly service charges
- No minimum balance requirements
- No charge for first order of personal checks
- No per check or monthly service charges
- FREE online banking
- FREE money orders

**Special Offer: Come in today and ask about our 2% APY for 15 months CD.**

**LIBERTYVILLE BANK & TRUST COMPANY**

When you bank with us, you're at home.

207 South Milwaukee Avenue | 815.237.4300  
1217 South Milwaukee Avenue | 815.237.4300  
Down State | 203 East Northland Street  
www.libertyvillebank.com

This impressive growth is attributed to the bank's continuing efforts to be a true community player. By actively leading and supporting numerous community not-for-profit organizations, becoming the "bank of choice" for the local municipalities, townships and fire districts, and most importantly by hiring employees that live in the communities we serve, BB&T and HECB's names have become synonymous with community banking.

Continuing efforts to provide superior products and services to customers have resulted in two lending niches that are fast becoming market leaders in their respective industries. Credit relationships with residential homebuilders in 2003 resulted in providing construction financing to fifteen local area home builders. Community Advantage® is the market leader in providing cash management and credit services for condominium, town home and homeowners associations and the professional management companies that serve them. Furthermore, the experienced group of commercial lenders has provided commercial customers with loans from \$25,000 to in excess of \$25.0 million to finance working capital, equipment, acquisitions, and commercial and retail development.

With the addition of a Wayne Hummer office, BB&T is providing customers with access to expert investment, trust and asset management advice. The success rate in attracting investment relationships has contributed to overall performance in 2003.

### Crystal Lake Bank & Trust

Crystal Lake Bank & Trust Company® (CLB&T) continued its penetration into McHenry County with five full service facilities in Crystal Lake, McHenry and Cary. At December 31, 2003, assets totaled in excess of \$425 million, making CLB&T the third largest and fastest growing bank in McHenry County. As of June 30, 2003, CLB&T ranked #2 in deposits in Crystal Lake and #90 out of 305 banks in the Chicago MSA according to June 30, 2003 FDIC deposit data. CLB&T operated with a 1.34% net overhead ratio, and generated a 0.59% return on average assets.

Cary Bank & Trust®, which launched with a temporary facility in January and then opened its beautiful permanent facility with a drive-through in September, has generated deposits of \$47.1 million after only 11 months.

CLB&T's aircraft lending niche, marketed as NorthAmerican Aviation Finance® (NAMAF), ended the year with loans totaling \$33 million. During 2003, NAMAF established strategic alliances with several general aviation manufacturers. NAMAF is well on its way to establishing itself nationally as a preferred provider of financing to piston-powered aircraft owners.

Ask Us About Free Bill Pay!

Which is Hoffman Estates' true community bank that really delivers good old fashioned customer service?  
Hint: It's the one with Hoffman Estates in the name.

Continued by all the big banks as soon as moving to town claiming to be your true community bank? Just look for the bank with Hoffman Estates in its name. Hoffman Estates Community Bank is locally owned and managed, has services and accounts customized specifically for local residents and businesses, and is open directly into the community. So stop by today and experience the value only a true community bank can offer.

Open an interest-bearing Hoffman Estates Account® and get:

- A FREE interest-bearing NOW Checking Account
- No monthly service charge and NO other unnecessary fees!
- FREE Online Banking with FREE Bill Pay
- FREE 24 hr. online bill payment by bank checks
- FREE 24 hr. online bill payment by credit cards
- BONUS CD Interest Rates
- Much more!

**HOFFMAN ESTATES COMMUNITY BANK**  
Member of the Sun Belt Banking Group, LLC  
11717 Hoffman Road | 815.368.8338  
www.hoffmanestates.com

1. Simply open a Hoffman Estates Account with savings, money market or a combination of deposits and avoid. As of 6/30/03. 2. The fee schedule changes and special services may apply. ©2003 Sun Belt Banking Group, LLC

At Crystal Lake Bank & Trust you can have your cake and eat it too

JUST COMPARE	US	BIG BANKS
LOCAL TELEPHONE CALL	YES	NO
HARRIS NUMBER OF BRANCHES	YES	NO
KNOWS YOUR PLACING NEEDS	YES	NO
ONLINE SERVICES	YES	CHARGE A FEE
ON-LINE BILL PAY	YES	CHARGE A FEE

There are two ways about it, our community banking is state of the art. Here you'll find all the expertise you'd expect from a big bank, but without their impersonal service and excessive fees. Plus, we have great products like our Crystal Lake Account®. So for smart solutions and a staff eager to go that extra mile, there's only one way to go.

Crystal Lake Account®	
• No account fee (3.00% ATM fee Plus Debit card)	• No per check or monthly service charges!
• No minimum balance req. used	• FREE on-line bill paying
• No charge for third order of certified checks	• FREE in-person checks with Cash Manager Plus!

**CRYSTAL LAKE BANK & TRUST COMPANY**

When you bank with us, you're at home.  
70 N. Williams Street | Crystal Lake, IL 60014  
815-470-5200  
www.crystalbankandtrust.com

The information provided in this advertisement is not intended to constitute an offer. The Crystal Lake Account is not available in all states. Total fees include all possible service charges. For more information, please contact your local branch. ©2003 Sun Belt Banking Group, LLC



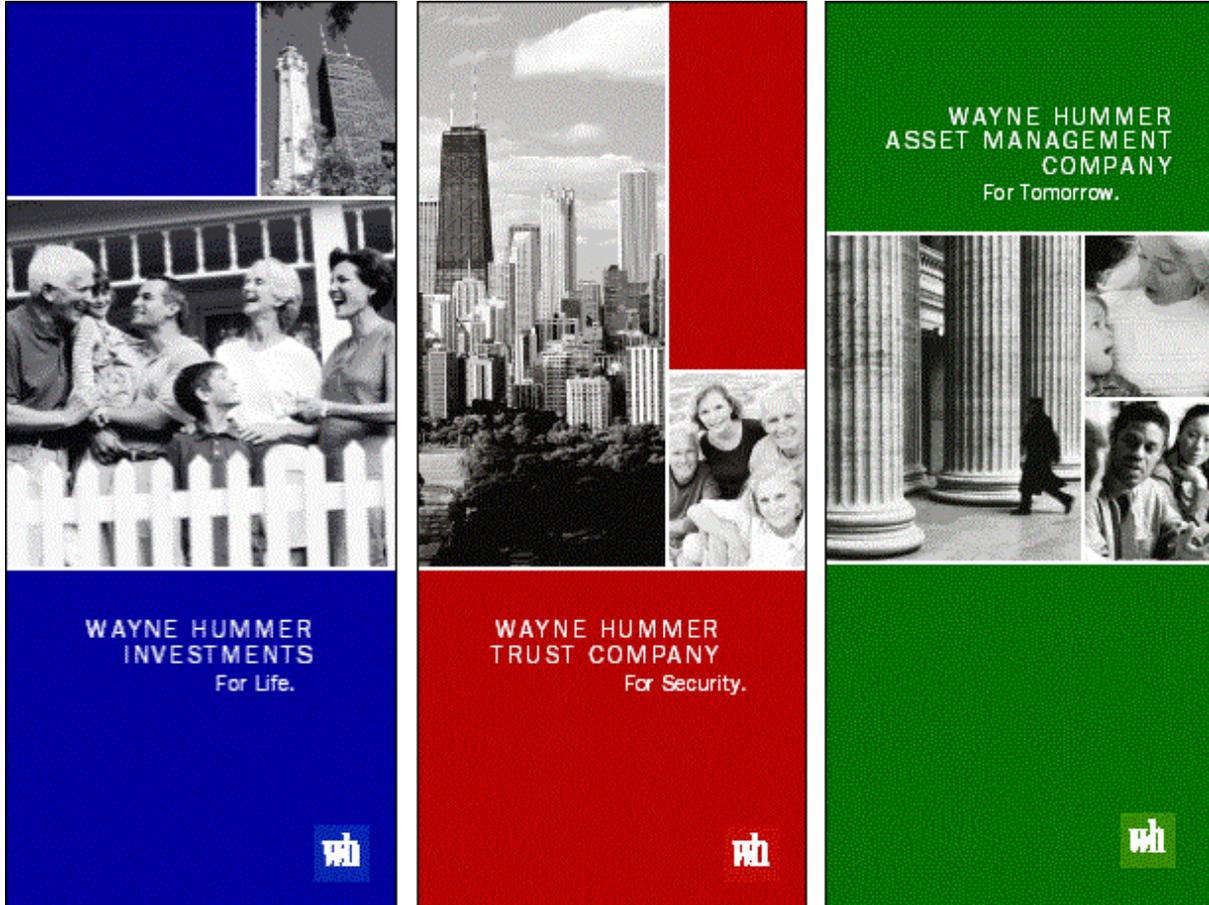




# Update On Our Wayne Hummer Wealth Management Companies

## Wayne Hummer Investments

Even though the business environment in 2003 remained challenging for Wayne Hummer Investments® (WHI), the firm's performance in the second half of the year improved dramatically over the first six months. This should set the stage for continuing improvement leading to a stronger 2004.



A number of improvements have been or are being made to our broker/dealer subsidiary. Construction has begun at their downtown location to better facilitate WHI's space needs. Wayne Hummer also has a new unified marketing "look" including a new set of brochures, in-bank kiosks, website, as well as a CD ROM video.

In 2003, Wayne Hummer continued staffing Wintrust banks with Financial Advisors to provide wealth management services to customers of those banks. Those Financial Advisors worked with bank employees cross selling investment and planning services resulting in valuable additional services being provided to the banks' customers.

WHI's Chief Economist, William Hummer, has been prominently quoted and sought out in the national media for his opinions on the current and future performance of the economy and its effect on the financial markets. This media attention will increase the public knowledge of WHI and its credibility.

## Focused Investments

Focused Investments™, a wholly owned subsidiary of Wayne Hummer Investments, provides a full range of investment and financial solutions to clients through a network of community-based financial institutions in the Midwest.

In 2003, Focused Investments targeted new prospects through an aggressive marketing campaign. Gross profits increased by over 21% and Focused's client base increased 17% for the year. Focused will continue to explore new markets in 2004.

**Would you like to increase your fee-income?**

**FOCUSED ON GROWING YOUR REVENUE.**

*Focused Investments delivers solutions to enhance market and revenue opportunities for financial institutions. Since the inception of our parent company, Wayne Hummer Investments in 1951, we have been serving financial institutions with a superior level of personalized customer service. With our wide array of product and service offerings, technology tools, training capabilities, and experience in forming strategic partnerships with our clients, Focused Investments provides solutions to maximize your profitability. Our approach is designed for your long-term success.*

For revenue opportunities, please contact us at:

## **Wayne Hummer Trust Company**

Wayne Hummer Trust Company® (WHTC) increased assets under management by nearly \$135 million in 2003. In January, the Trust Company began offering administrative services in its Chicago office. WHTC successfully converted to a new accounting and operating system that will improve its reporting capabilities and allow it to provide a broader range of client services.

WHTC continues to develop innovative new products and services. For example, in December, the firm introduced a donor advised fund called Generations in Giving™. This program developed in cooperation with the Chicago Community Trust, allows an individual to create a charitable fund. The donor and his or her family may then participate in the distribution of fund assets over time including designating the charities that will benefit from the fund and the





## Update On Our Other Strategic Companies

### FIRST Insurance Funding Corp.

Preparing for the possible soft insurance market, FIRST Insurance Funding Corp.® (FIRST) expanded its sale force and marketing initiatives. FIRST added sales people in California and the East Coast, while pursuing an aggressive marketing strategy in the Midwest and Southwest. These efforts helped FIRST increase its core group of insurance agencies by almost 300.

These new agencies, coupled with the continued loyalty of FIRST's current agency customers, allowed FIRST to reach a new record of \$2.3 billion in premium finance volume, a 31% increase over 2002. This is FIRST's seventh consecutive year of better than 30% annual growth.

Even with this growth, FIRST's Asset Management Team continued to reduce the number of FIRST's cancelled accounts, reducing it to less than two percent of outstandings. This is the lowest FIRST's cancellations have been in its history and one of the lowest in the industry. With this, FIRST watched its loan charge-offs decrease by a third while outstandings increased by 25%.

All of this growth occurred while FIRST Credit Committee and Agency Services department continued to improve underwriting standards and asset quality while enhancing the protection of FIRST's collateral with continuous reviews and policy verifications.

2003 also saw FIRST's continued commitment to technology and automation with the expansion of FIRST's on-line quoting and reporting, and the further automation of FIRST's operations and cash management processes.

FIRST enters 2004, with plans to aggressively continue adding to its core insurance agency base. FIRST does this with the goal of becoming the fourth largest premium finance company in the country. FIRST should reach this level with its unparalleled customer service and commitment to agency and asset quality.

### Tricom

Tricom Funding, which celebrated its fourth year as a Wintrust family member, maintained a net revenue contribution to the company of \$7.8 million and a net income contribution of \$1.6 million, good results considering the negative impact a soft economy has on the temporary help business.

Tricom's acquisition of a competitor's customer base in January 2003, proved to be extremely advantageous, adding \$1.0 million in net revenue with projections of adding \$1.2 million in 2004. The success of acquisitions like this will be a focus for Tricom in 2004, as competitors react to the strain of a slowly recovering economy by significantly slashing their rates, resulting in compressed profitability.



Building your staffing business is a balancing act.

You need a rock-solid partner.

**TRICOM FUNDING**

An established industry leader who understands value and service standards.

Committed to delivering exceptional services and building valued client relationships.

TRICOM has a solid and respected industry reputation and a proven track record of providing the perfect balance between local office solutions and funding needs.

A rock-solid partner for your back office and funding needs.

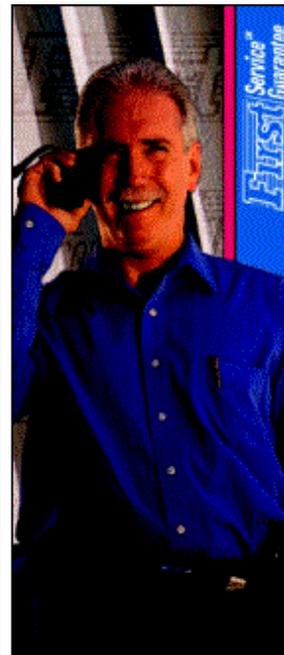
**TRICOM FUNDING**

Build your business on our foundation.™

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**iBusiness Banking™**  
Business Banking that puts you in control.

**NORTH SHORE  
COMMUNITY BANK  
& TRUST COMPANY**

**Wintrust Information Technology Services (WITS)**

During 2003 WITS made increases to management staff to allow for quality control and service development. We added a Banking Services Manager and reassigned responsibilities to allow for a higher level of attention to the services we provide the banks. Additionally, we are now able to provide business development support in the lockbox service area.

WITS made a number of improvements to our on-line banking products and services. On-line banking security was enhanced by allowing for a higher level of complexity in passwords used by our customers. i-BusinessBanking™ services were added to our list of offerings available to commercial banking customers. i-BusinessBanking provides 24-hour access to an extensive array of account information and cash management tools. This will allow businesses to manage their finances more efficiently and further enhance their control of company funds, helping to maximize profitability.

E-mail statement services were added to our list of offerings available to banking customers. The service allows us to offer the customer an electronic statement instead of a paper statement, including images. The electronic statement will be made available to the customer via e-mail within 24 hours after the statement date.

In 2003, we converted to an improved teller system to better service our banking customers. This is a more robust and reliable system for one of the most important functions within our banks.

**.community banking®**  
Free on-line financial services from your community bank

- Web Site
- On-Line Banking
- On-Line Mortgage
- CheckManager Plus®
- Bill Pay
- Check Register
- Key Sites
- TeleBank

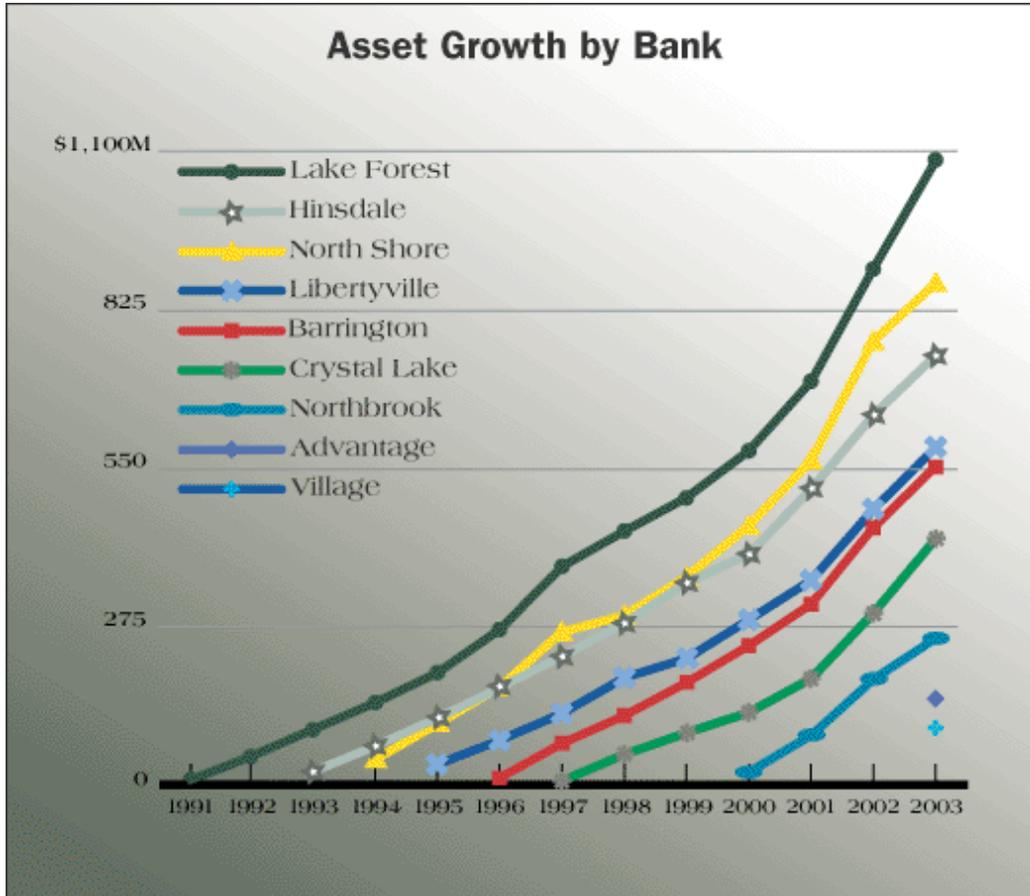
**LIBERTYVILLE  
BANK & TRUST  
COMPANY**

In the fall of 2003, staff was increased to allow for a higher level of information security, through the creation of the WITS Control Group. This group is responsible for monitoring activity on our banking network to further insure that our customers' information is secure. Additionally, this group will allow us to provide a high level of segregation of duties within our banks by removing key security functions from the banks and allowing them to provide authorization and monitoring of these activities. Over the years as this area grows it will take on an increasing role in security planning and monitoring to provide the highest practical level of customer information security.

## Growth and Earning Strategies

### Growing Both Earnings and Assets

Stifel, Nicolaus & Company, a respected market maker, publishes quarterly data for over sixty 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.



And how do we generate both growth and earnings increases of this magnitude? By setting aggressive goals for our banks, including growing each bank's assets by \$50-\$75, increasing ROA by 10-20 basis points, and positioning the balance sheets for improvement in net interest margin in the event of overall rate increases. And by executing our unique strategic plan that builds our brand franchises faster and more profitably than our competitors. And never, ever forgetting that the most important thing we do is deliver superior customer service. This recipe which balances growth and earnings also builds shareholder value and creates an earnings multiple that outshines most other bank groups our size. This success can be traced back to our *de novo* community bank roots.

### Profitable Growth Strategies

Three primary strategies are the "building blocks" that provide the framework for Wintrust's strong growth and earnings:

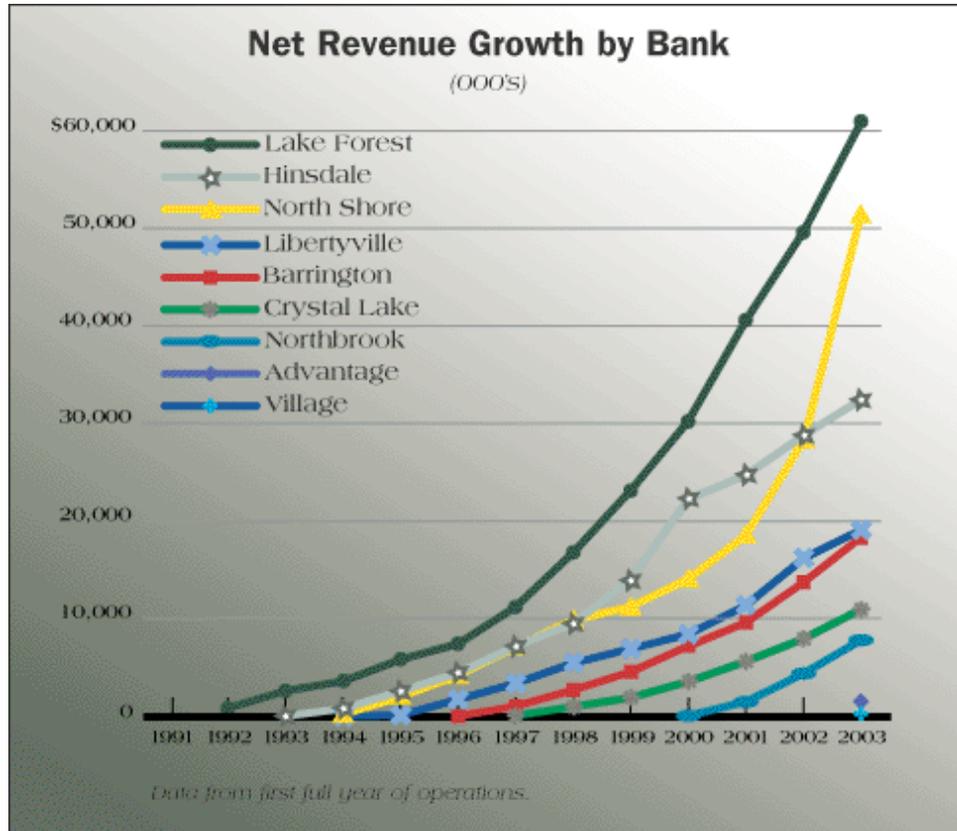
1. Building a base of community banks on a *de novo* basis or by acquisition;
2. Expanding distribution, products, and additional expertise of wealth management services;
3. Developing asset niches and other income generators to fuel growth.

### Building Strong Community Banking Franchises

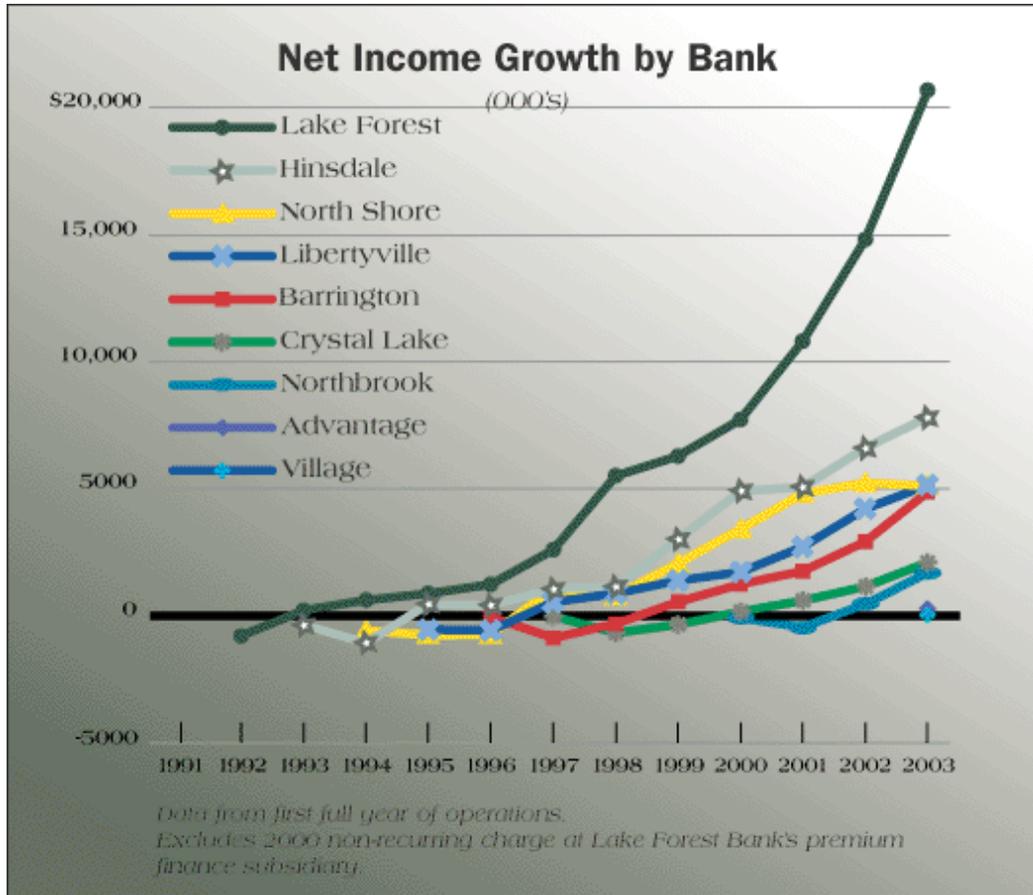
Wintrust has seven banks and 32 facilities that were *de novo* launches over the last twelve years and two banks and four facilities that were added by acquisition in 2003. We are now the fifth largest Illinois-based bank group in the Chicago MSA and have leadership share positions in all of our mature *de novo* bank markets. According to FDIC data as of June 30, 2003, we also have the second highest number of individual bank charters for a single holding company in Illinois.

Bank	De Novo Wintrust Opening	Deposit Market Share Rank*
1. Lake Forest Bank & Trust	12/91	1 (out of 8)
2. Hinsdale Bank & Trust	10/93	2 (out of 12)
3. North Shore Community Bank & Trust	09/94	1 (out of 9)
4. Libertyville Bank & Trust	10/95	1 (out of 7)
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	2 (out of 12)

\*FDIC deposit market share as of June 30, 2003



We have generally been able to grow our newer banks at relatively the same strong rate as we grew our initial banks. That is because we use a proven strategic “recipe” for starting and growing each of our banks.



Those bank growth strategies include:

- **Decentralized Management Structure That Allows For Local Decision Making.** Wintrust’s decentralized operating and management structure is one key factor in our ability to deliver better banking products and service. A community bank needs local roots and local decision making to deliver on this premise. That is one critical difference that separates us from the big regional or national banks (and even some large “community banks”). Most banks have one standard product line and make decisions on a more global level that are not always in the best interest of serving local customers. We don’t. We provide solutions that better meet the local needs of our customers. Our unique and separate operating structure also makes it very hard for a systemic problem to significantly impact our performance.

We also give our banks profit responsibilities and the authority to make decisions locally. That local decision making structure results in customized products, sharper pricing, quicker decisions, more community involvement, and better customer service. And because we give our management teams the autonomy to really run their banks like small bank holding companies, we are able to attract the best and most entrepreneurial bankers in the area while maintaining exceptional retention rates.

- **Best Customer Service, Bar None.** At the end of the day, superior customer service is what really separates us from our competition. A customer might come to us because of a certain product or an attractive price, but they stay with us because of our service. Our community bankers treat their customers like the

*Why does Beverly need a community bank?*



*Because true community banking can benefit your family for generations.*

**T**he Beverly area doesn't need another bank. It needs a true community bank. One that cares about every member of your family. One that you can count on to serve you for generations to come.

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

What's more, your new neighborhood bank will be a place where your entire family feels comfortable. You'll like our atmosphere. But most of all, you'll really

like our friendly staff. Because the people who will work here live in the area, too. The people making important decisions with you about your financial future will be the people you know who are familiar with what the community needs in a bank. So when someone says "Can I help you," they'll really mean it.

In the coming months you'll notice some changes at your current bank. They'll introduce special banking benefits. They'll offer you more competitive rates. But, in the end, you should ask yourself, "Why didn't my bank do this before?"

We're bringing true community banking back to Beverly. We believe that everyone will benefit. That's why Beverly needs a community bank.

friends and neighbors they are. Banking the way it used to be.

- **Position Our Banks and Branches As Real Community**

**Banks.** We brand most of our banks after the local community, and brand our branches differently after their local communities. For example, Hinsdale Bank & Trust, whose main bank is located in Hinsdale, Illinois, named its Clarendon Hills branch, Clarendon Hills Bank, its Western Springs branch, The Community Bank of Western Springs, its Riverside branch, Riverside Bank and its recently opened Downers Grove branch, Community Bank of Downers Grove. And while they are all technically branches of HB&T, we operate them as independ-

ently as possible. That's because people like to bank with a local institution that understand its needs. And it doesn't stop with just the bank name. Our community bankers are actively involved in their communities and local organizations.

- **Aggressive Introductory Marketing To Gain Household Penetration and Market Share.** When we launch a new bank or branch, we are very aggressive with marketing programs designed to acquire new customers. We use bundled checking products and attractively priced Certificates of Deposit to wrestle customers away from the big banks. And then we cross sell them additional products and services over time. Our desire is to gain the #1 or #2 market share in short order. The earnings performance of our young banks is also enhanced as our banks mature and grow into their infrastructure.

- **Defend Our Home Turf.** You may have read that the Chicago area has been targeted by a number of out-of-state big banks as a prime banking opportunity. While their aggressive marketing has the current Chicago big banks fighting it out, we at Wintrust relish the competition.

One of our tenets is that we will let no one beat us in our markets. We have worked too hard to build these franchises and will aggressively defend our turf. We will continue to attack the big banks in our marketing and position them all as the profits-instead-of-customer-service operations that they really are. We are well-positioned as the only real option to these big banks—the local community bank that really cares about its customers and tailors its products and services to meet their local needs.

- **Entertaining “David versus Goliath” Anti-Big Bank Marketing.** We have successfully grown our community bank franchises from zero to over \$4.7 billion in assets in only 12 years. We have accomplished this by repositioning the big banks as the villain whose only interest is profits. And positioning us as the one bank that really has the best interest of its customers at heart.

We execute this marketing strategy through a variety of entertaining, tongue-in-cheek, humorous “shots” at the big banks. For example, a recent Wall Street Journal article noted “...bigger banks also frequently charge bigger fees. In its most recent annual report to Congress on banking fees and services, the Federal Reserve noted that banks doing business in mul-

There's only one place you'll find the best of both worlds

Best Savings Rates	Top	Big Banks
12-month CD	4.00%	3.00%
6-month CD	3.75%	2.75%
3-month CD	3.50%	2.50%
12-month T-bill	3.25%	2.25%
6-month T-bill	3.00%	2.00%
3-month T-bill	2.75%	1.75%

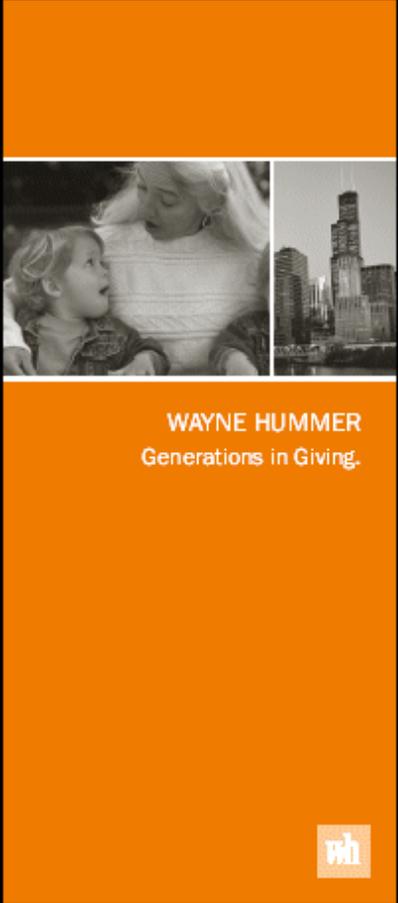
Wintrust Community Bank



community bank network and expansion of our downtown Chicago facility.

Our marketing strategy calls for building Wayne Hummer brand awareness and brand equity, so that when prospects are introduced to the brand, they are more likely to consider us. We will accomplish this through a unified branding strategy, Chicago-wide advertising which is starting in 2004, and a nation-wide public relations program which was begun in 2003. To date we have been very successful generating national print and cable television PR exposure for Wayne Hummer.

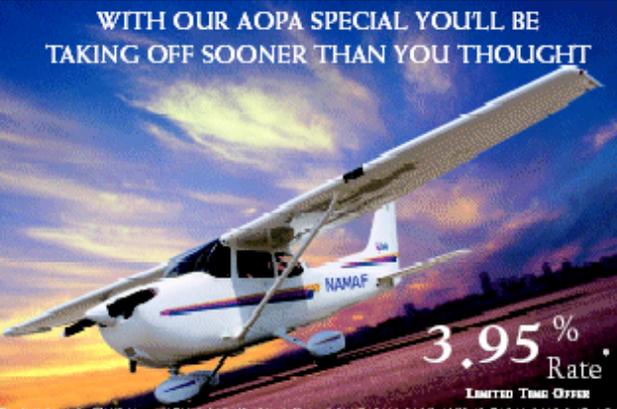
We are having good success hiring very experienced brokers from competitive firms. These new brokers have established client followings and will be our key customer contact for selling not only our brokerage services, but trust and asset management as well. This creates a fully unified sales and service 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. We have built this full service team approach into our downtown Wayne Hummer structure as well.

A vertical graphic for Wayne Hummer. It features a solid orange background. At the top is a solid orange rectangle. Below it are two black and white photographs: on the left, a woman with blonde hair is smiling and looking at a young child; on the right, a view of the Chicago skyline with the Willis Tower. Below the photos, the text "WAYNE HUMMER" is written in white, uppercase letters, followed by "Generations in Giving." in a smaller, white, lowercase font. At the bottom right corner of the orange area is a small white square containing the lowercase letters "wh" in a stylized font.

WAYNE HUMMER  
Generations in Giving.



**WITH OUR AOPA SPECIAL YOU'LL BE TAKING OFF SOONER THAN YOU THOUGHT**



**3.95% Rate**  
LIMITED TIME OFFER

**WE HAVE EXPERT ADVICE AND GREAT RATES!**

Understanding pilots' needs and quickly delivering a competitively priced solution is fundamental to our success. At NorthAmerican Aviation Finance™, we specialize in a wide range of personal and business aircraft loans, which include:

- STABLE ENGINE AND LIGHT TWIN AIRCRAFT
- NEW AND USED AIRCRAFT
- COMPETITIVE FIXED AND VARIABLE RATES
- AMORTIZATION UP TO 20 YEARS
- EXPEDITIOUS FAST APPROVALS MOST WITHIN 24 HOURS
- FLEXIBLE FEE FINANCING
- PRE-APPROVED CLIENT AVAILABLE

As aircraft lenders, we not only have considerable experience in aircraft financing we're private pilots, too! We speak your language and know the value of quick, hassle-free financing at competitive rates. Please contact Mark Peteler or Joan Banak today for more information.

**NorthAmerican Aviation Finance™**  
A Division of Capital Lake Bank & Trust

70 North Williams Street, Crystal Lake, Illinois 60014  
Tel: 877-339-6665 | Fax: 815-479-8718  
[www.naaf.com](http://www.naaf.com)

877-833-6665 (Toll Free) Email: [naaf@capitalbank.com](mailto:naaf@capitalbank.com)

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We are also working hard to take advantage of other synergies that occur from a bank owning a wealth management firm. We have brought in low cost Wayne Hummer money market funds into our Insured Bank Deposits program. This program provides Wintrust with additional low cost funds that can be invested in earning assets at our banks which affords us a much larger spread than the fees made by leaving it in the money market fund. And Wayne Hummer clients benefit with higher interest rates and FDIC coverage of up to \$900,000 (soon to be \$1,000,000). In addition, we are intending to offer a wholesale version of this proprietary multiple FDIC insurance sweep technology to other asset managers.

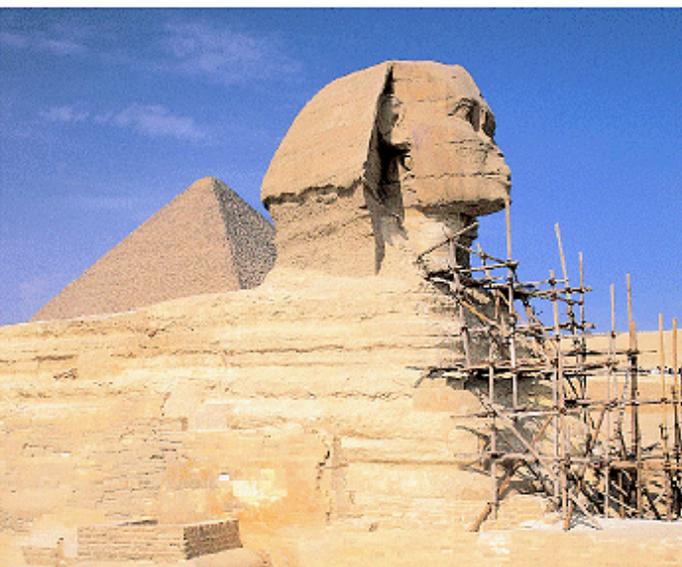
### Developing Asset Niches and Other Income Generators

Our third “building blocks” strategy is the development of asset niches and other income generators. Experience tells us that the typical community bank can generate loans from local consumers and small businesses that represent about 60% of their lending capacity without compromising credit quality. 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.

We augment our community banks’ loan portfolios with non-traditional earning assets generated by our specialty earning asset niches. This not only allows us to improve the profitability of our community banks by optimizing their earning asset base, but also allows them to diversify their loan portfolios. We have developed non-traditional bank loans and also operate non-bank financial services companies. Asset niches account for roughly one-third of our portfolio, while core loans represent the other two-thirds. The following asset niches and other income sources are the “fuel” that helps us continue our strong growth:

#### Banking Asset Niches

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



**Putting off your repairs?**

The longer you wait, the worse the problem can get. But there is a solution. **COMMUNITY ADVANTAGE®** is the first choice of experienced roofing financial lending for a large-scale project or repair. That's because we go that extra mile to make your loan experience undisturbable and stress-free, with competitive rates and bank-out alternatives. To make sure your roof project doesn't stall up in rain - Call one of our Trusted Industry Experts at 847-304-2940.



From left to right: Kenneth, Nancy, Kelly, James, James, and Kelly  
Bank, Staff, Kelly, Bank, and James, Kelly, Kelly

**COMMUNITY ADVANTAGE®**  
A Division of Capital Lake Bank & Trust Company

Member FDIC

©2005 Capital Lake Bank & Trust Company



## Non-Bank Asset Niches

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

FIRST Insurance Funding Corp. is one of the largest commercial insurance premium finance companies operating in the United States. 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.

## The Benefits Of Being “Asset Driven”

In 2003, we again accomplished our objective of being an “asset driven” organization, generating more loans than we needed. That’s one of the benefits of having additional asset generators and is beneficial to the Company for the following reasons:

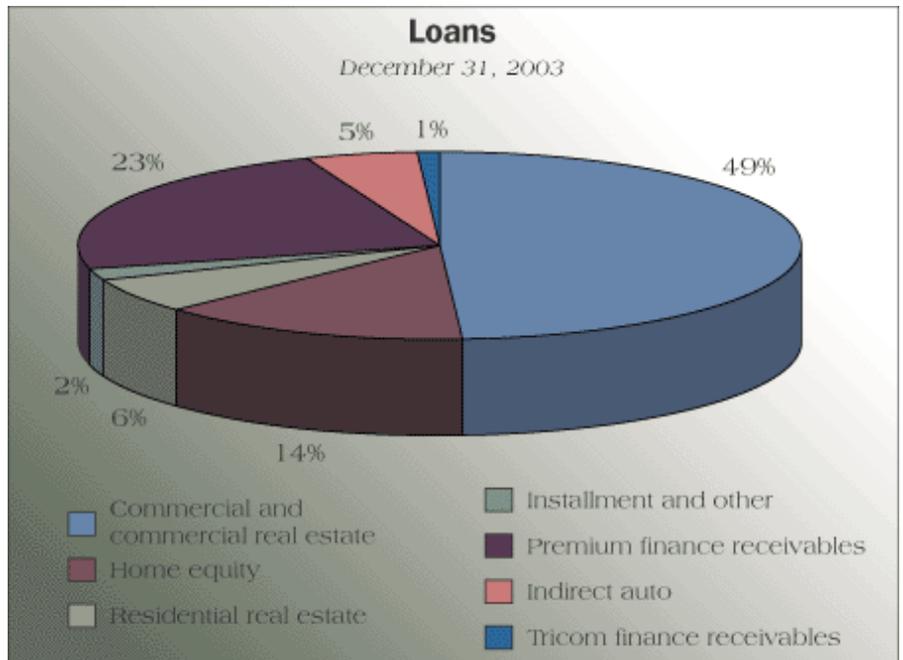
- **To increase our overall profitability by providing additional income through loan sales.** In 2003, we sold approximately \$274 million of excess premium finance receivables to an unrelated financial institution. We anticipate continuing this practice in the future to the extent that excess loans continue to be generated;
- **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;
- **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
- **To diversify our asset mix into various different loan types,** thereby reducing any concentration of credit risk.

## Acquisitions Play A Strategic Role

We made three acquisitions in 2003—Lake Forest Capital Management, Advantage National Bancorp, Inc., and Village Bancorp, Inc. These acquisitions were made to strategically strengthen our wealth management business, add additional fee generation, and provide us entry into a number of good banking markets that were already being served by these community banks.

We continue to evaluate additional acquisition opportunities for Wintrust in three primary areas—banking, wealth management, and asset and fee income generators. As our stock price rises and our “currency” becomes more valuable, acquisitions become a more viable avenue for future growth and enhanced shareholder value. Your management team and Board of Directors are dedicated to being disciplined with regard to pricing potential acquisitions to be accretive to earnings per share. We will keep evaluating potential acquisitions and will update you on our progress.

We are frequently contacted by Illinois, Indiana and Wisconsin community banks with the goal of partnering with us by merging their community-based bank or branches into the Wintrust family of banks. 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 do allow the bank to continue to operate locally with their own name and management team.

We also continue to look at other wealth management acquisitions that will supplement this important fee generator. And we look to add earning asset niches or related fee income generators, either as start-up operations or through acquisition. This type of growth will add diversified earning asset and fee-based business niches to supplement Wintrust's banking revenues.

### **Technology, the Great Equalizer**

Wintrust is a big believer in investing in technology to improve our services and operating efficiency. Quickly incorporating technological innovations has allowed Wintrust to compete with the big banks and investment firms. Here are our key technology initiatives for 2004:



- Market i-businessbanking.com™-improved on-line business banking services;
- Update bank web sites—improve navigation and format;
- Rollout a new telecommunications system for superior customer service;
- Introduce improved retail lock box;
- Improve optical reports and internal print reduction;
- Improved item capture efficiencies;
- Introduce wholesale and retail Insured Bank Deposits and MaxSafe® Sweep Account which can provide investment level returns and up to \$1,000,000 in FDIC coverage once our 10th bank is opened;
- Introduce a new Wayne Hummer cash management account, and;
- Rollout an internal Intranet for Wintrust employees.

### **Corporate Governance**

Wintrust has, since 1998, separated the positions of chief executive officer and chairman of the board. Our board's Audit, Risk Management, Compensation and Corporate Governance Committees are all chaired by experienced independent directors. Our board and its committees meet regularly in executive session without management present. During the past year we reduced the size of our board of directors from 24 to 14, a move which we think facilitates better discussion and decision making. In 2003, our Compensation and Nominating Committee was functionally separated to create a Compensation Committee and a Corporate Governance Committee. A separate Governance Committee of the board was established to continuously monitor our compliance with all governing legislation and to make sure we are following best practices. Needless to say, good corporate governance promotes ethical business practices. We have always been and will always be committed to running this company with the highest level of integrity and ethical standards.

## Investor Relations Program

We continue to execute our investor relations plan which includes presenting at investor conferences, providing interviews and story ideas to financial publications, distributing investor packages to interested investors through various programs, and meetings with interested institutional buyers.

Our investor relations story can be summarized in these simple investment considerations:

- Growing Franchise
- Attractive Markets
- Consistently Above Average Growth Rates
- Earnings Potential as Franchises Mature
- Strong Senior Management Team
- Unique Asset Strategy
- Efficient Capital Structure

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.

## More Investors Are Now Noticing Wintrust's Unique Story

In last year's annual report we used a quote from the 1969 movie classic, Butch Cassidy and the Sundance Kid— "I couldn't do that? Could you do that? How can they do that? Who are those guys?" . We thought this captured some of the pride we have in our employees' accomplishments and what Wintrust has been able to achieve in such a short period of time.

In the past year we have worked hard to raise awareness of Wintrust's unique strategies and accomplishments and it appears that we are getting noticed by more of the investment community. We will continue to work hard to build shareholder value. We hope to see you at our Annual Meeting to be held on Thursday, May 27, 2004, at 10:00 a.m. The location of the Annual Meeting will again be at the Michigan Shores Club located at 911 Michigan Avenue in Wilmette, Illinois.

# A SPECIAL THANK YOU FROM OUR FAMILY TO YOURS.



*Staff of Wintrust, Barrington Bank & Trust Company*

**Families.** That's what makes our community great. A solid foundation of caring and respect. Precisely how we've always strived to treat our customers and do business.

That's why we tailor our products specifically for local residents and businesses. Why we've been active in the community since our inception in 1896 and will continue to be so. And why our management and decision makers are right here.

But we couldn't do it without your trust. Your commitment to us. So for that, thank you. And in return, we'll continue to take our responsibility seriously. After all, we don't just work here, we live here. We raise our families here and serve your neighbors. The community is just as important to our family as it is to yours.

<i>J. H. King</i> Jack H. King	<i>Raymond C. Babb</i> Raymond C. Babb	<i>Ellen C. Dunlop</i> Ellen C. Dunlop	<i>Dr. Ad. Conrad</i> Dr. Ad. Conrad	<i>Scott K. Crowder</i> Scott K. Crowder
<i>Scott A. Gardner</i> Scott A. Gardner	<i>William C. Goff</i> William C. Goff	<i>Robert G. Hunt</i> Robert G. Hunt	<i>Rob. H. Havel</i> Rob. H. Havel	<i>Carl M. Miller</i> Carl M. Miller
<i>Tom Chico</i> Tom Chico	<i>Mary P. East</i> Mary P. East	<i>Walter W. Eastman</i> Walter W. Eastman	<i>Dr. J. H. Havel</i> Dr. J. H. Havel	<i>Greg L. Johnson</i> Greg L. Johnson
<i>Dr. Richard Smith</i> Dr. Richard Smith	<i>Richard P. Spitzer</i> Richard P. Spitzer	<i>W. Stanley Stone</i> W. Stanley Stone	<i>Tim Whelan</i> Tim Whelan	

**BARRINGTON BANK  
& TRUST COMPANY, N.A.**

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www.barringtonbank.com



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*The Brands We Market*



MEDICAL & MUNICIPAL FUNDING™  
Division of Lake Forest Bank & Trust Company



**HINSDALE BANK  
& TRUST COMPANY**



**BARRINGTON BANK  
& TRUST COMPANY N.A.**



**HOFFMAN ESTATES  
COMMUNITY BANK**  
A branch of Barrington Bank & Trust Company, N.A.

**COMMUNITY ADVANTAGE**  
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**COMMUNITY BANK & TRUST COMPANY, N.A.**



**CRYSTAL LAKE  
BANK & TRUST  
COMPANY**



**NORTHBROOK BANK  
& TRUST COMPANY**



**BEVERLY BANK  
& TRUST COMPANY N.A.**



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

	December 31,	
	2003	2002
<b>Assets</b>		
Cash and due from banks	\$ 111,929	105,671
Federal funds sold and securities purchased under resale agreements	56,620	151,251
Interest bearing deposits with banks	6,228	4,418
Available-for-sale securities, at fair value	906,881	547,679
Trading account securities	3,669	5,558
Brokerage customer receivables	33,912	37,592
Mortgage loans held-for-sale	24,041	90,446
Loans, net of unearned income	3,297,794	2,556,086
Less: Allowance for loan losses	25,541	18,390
Net loans	3,272,253	2,537,696
Premises and equipment, net	156,714	118,961
Accrued interest receivable and other assets	123,063	95,852
Goodwill	48,490	25,266
Other intangible assets	3,598	1,165
<b>Total assets</b>	<b>\$4,747,398</b>	<b>3,721,555</b>
<b>Liabilities and Shareholders' Equity</b>		
Deposits:		
Non-interest bearing	\$ 360,666	305,540
Interest bearing	3,515,955	2,783,584
Total deposits	3,876,621	3,089,124
Notes payable	26,000	44,025
Federal Home Loan Bank advances	144,026	140,000
Other borrowings	78,069	46,708
Subordinated notes	50,000	25,000
Long-term debt — trust preferred securities	96,811	50,894
Accrued interest payable and other liabilities	126,034	98,802
<b>Total liabilities</b>	<b>4,397,561</b>	<b>3,494,553</b>
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, 2003 and 2002	—	—
Common stock, no par value; \$1.00 stated value; 30,000,000 shares authorized; 20,066,265 and 17,216,270 shares issued at December 31, 2003 and 2002, respectively	20,066	17,216
Surplus	243,626	153,614
Common stock warrants	1,012	81
Retained earnings	92,301	56,967
Accumulated other comprehensive loss	(7,168)	(876)
<b>Total shareholders' equity</b>	<b>349,837</b>	<b>227,002</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$4,747,398</b>	<b>3,721,555</b>

See accompanying notes to consolidated financial statements



**WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

	Years Ended December 31,		
	2003	2002	2001
<b>Interest income</b>			
Interest and fees on loans	\$174,478	158,314	149,057
Interest bearing deposits with banks	127	45	10
Federal funds sold and securities purchased under resale agreements	2,037	1,774	5,632
Securities	25,869	19,797	11,756
Trading account securities	150	165	—
Brokerage customer receivables	1,330	2,138	—
	<u>203,991</u>	<u>182,233</u>	<u>166,455</u>
<b>Interest expense</b>			
Interest on deposits	67,963	70,061	83,503
Interest on Federal Home Loan Bank advances	5,932	4,954	942
Interest on notes payable and other borrowings	2,562	3,854	2,845
Interest on subordinated notes	2,486	305	—
Interest on long-term debt — trust preferred securities	4,556	4,931	5,151
	<u>83,499</u>	<u>84,105</u>	<u>92,441</u>
<b>Net interest income</b>	<b>120,492</b>	<b>98,128</b>	<b>74,014</b>
Provision for loan losses	10,999	10,321	7,900
	<u>109,493</u>	<u>87,807</u>	<u>66,114</u>
<b>Non-interest income</b>			
Wealth management fees	28,871	25,229	1,996
Fees on mortgage loans sold	15,270	12,259	7,831
Service charges on deposit accounts	3,525	3,121	2,504
Gain on sales of premium finance receivables	4,911	3,374	4,564
Administrative services revenue	4,151	3,501	4,084
Net gain on sales of available-for-sale securities	642	107	337
Fees from covered call options	7,873	5,959	4,344
Other	7,349	7,122	3,138
	<u>72,592</u>	<u>60,672</u>	<u>28,798</u>
<b>Non-interest expense</b>			
Salaries and employee benefits	74,775	63,442	35,628
Equipment expense	7,957	7,191	6,297
Occupancy, net	7,436	6,691	4,821
Data processing	4,304	4,161	3,393
Advertising and marketing	2,215	2,302	1,604
Professional fees	3,342	2,801	2,055
Amortization of goodwill	—	—	616
Amortization of other intangible assets	640	324	69
Other	22,072	19,072	11,300
	<u>122,741</u>	<u>105,984</u>	<u>65,783</u>
Income before income taxes and cumulative effect of accounting change	59,344	42,495	29,129
Income tax expense	21,226	14,620	10,436
	<u>38,118</u>	<u>27,875</u>	<u>18,693</u>
Income before cumulative effect of accounting change	38,118	27,875	18,693
Cumulative effect of change in accounting for derivatives, net of tax \$161 of	—	—	(254)
	<u>\$ 38,118</u>	<u>27,875</u>	<u>18,439</u>
<b>Basic earnings per share:</b>			

Income before cumulative effect of accounting change	\$ 2.11	1.71	1.36
Cumulative effect of accounting change, net of tax	—	—	(0.02)
Net income per common share — Basic	\$ 2.11	1.71	1.34
<b>Diluted earnings per share:</b>			
Income before cumulative effect of accounting change	\$ 1.98	1.60	1.29
Cumulative effect of accounting change, net of tax	—	—	(0.02)
Net income per common share — Diluted	\$ 1.98	1.60	1.27

*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, 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, 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
Comprehensive income:								
Net income	38,118	—	—	—	—	38,118	—	38,118
Other comprehensive loss, net of tax:								
Unrealized losses on securities, net of reclassification adjustment	(7,151)	—	—	—	—	—	(7,151)	(7,151)
Unrealized gains on derivative instruments	859	—	—	—	—	—	859	859
Comprehensive Income	\$31,826							
Cash dividends declared on common stock		—	—	—	—	(2,784)	—	(2,784)
Purchase of 600 shares of common stock		—	—	—	(17)	—	—	(17)
Common stock issued for:								
New issuance, net of costs		1,377	44,767	—	—	—	—	46,144
Business combinations		1,010	36,691	950	—	—	—	38,651
Exercise of stock options		347	6,044	—	17	—	—	6,408
Employee stock purchase plan		36	1,193	—	—	—	—	1,229
Restricted stock awards		37	832	—	—	—	—	869

<b>Exercise of common stock warrants</b>	<b>38</b>	<b>362</b>	<b>(19)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>381</b>
<b>Director compensation plan</b>	<b>5</b>	<b>123</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>128</b>
	<u>          </u>						
<b>Balance at December 31, 2003</b>	<b>\$20,066</b>	<b>243,626</b>	<b>1,012</b>	<b>—</b>	<b>92,301</b>	<b>(7,168)</b>	<b>349,837</b>
	<u>          </u>						

*See accompanying notes to consolidated financial statements.*

**WINTRUST FINANCIAL CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Years Ended December 31,		
	2003	2002	2001
<b>Operating Activities:</b>			
Net income	\$ 38,118	27,875	18,439
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Cumulative effect of accounting change	—	—	254
Provision for loan losses	10,999	10,321	7,900
Depreciation and amortization	9,663	8,611	8,082
Deferred income tax expense	812	1,176	1,791
Tax benefit from exercises of stock options	3,579	2,809	312
Net (accretion) amortization of (discount) premium on securities	1,358	3,133	(578)
Originations of mortgage loans held-for-sale	(1,317,878)	(990,713)	(515,170)
Proceeds from sales of mortgage loans held-for-sale	1,384,284	943,171	482,690
Gain on sales of premium finance receivables	(4,911)	(3,374)	(4,564)
Decrease (increase) in trading securities, net	1,889	(747)	—
Net decrease in brokerage customer receivables	3,680	25,390	—
Gain on sales of available-for-sale securities, net	(642)	(107)	(337)
Loss (gain) on sales of premises and equipment, net	217	101	(209)
Increase in accrued interest receivable and other assets, net	(18,970)	(10,799)	(6,031)
Increase (decrease) in accrued interest payable and other liabilities, net	25,291	42,359	(17,720)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>137,489</b>	<b>59,206</b>	<b>(25,141)</b>
<b>Investing Activities:</b>			
Proceeds from maturities of available-for-sale securities	1,000,129	491,601	484,292
Proceeds from sales of available-for-sale securities	3,302,782	2,794,029	1,260,838
Purchases of available-for-sale securities	(4,643,322)	(3,447,617)	(1,938,546)
Proceeds from sales of premium finance receivables	273,715	311,225	244,684
Net cash provided from (paid for) acquisitions	19,041	(7,738)	—
Net increase in interest bearing deposits with banks	(1,076)	(3,434)	(510)
Net increase in loans	(878,710)	(851,831)	(715,894)
Purchases of Bank Owned Life Insurance	—	(41,144)	—
Purchases of premises and equipment, net	(41,148)	(27,373)	(19,934)
<b>Net Cash Used for Investing Activities</b>	<b>(968,589)</b>	<b>(782,282)</b>	<b>(685,070)</b>
<b>Financing Activities:</b>			
Increase in deposit accounts	620,814	774,488	488,060
Increase (decrease) in other borrowings, net	24,155	(29,015)	(15,565)
(Decrease) increase in notes payable, net	(18,025)	(2,550)	19,000
(Decrease) increase from Federal Home Loan Bank advances	(2,000)	50,000	90,000
Proceeds from issuance of subordinated notes	25,000	25,000	—
Net proceeds from issuance of long-term debt — trust preferred securities	45,000	—	—
Issuance of common stock, net of issuance costs	46,144	36,512	22,222
Issuance of common stock resulting from exercise of stock options, employee stock purchase plan and conversion of common stock warrants	4,440	3,946	1,249
Purchases of common stock, including fractional shares from stock split	(17)	(10)	—
Dividends paid	(2,784)	(1,903)	(1,279)
<b>Net Cash Provided by Financing Activities</b>	<b>742,727</b>	<b>856,468</b>	<b>603,687</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(88,373)</b>	<b>133,392</b>	<b>(106,524)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>256,922</b>	<b>123,530</b>	<b>230,054</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 168,549</b>	<b>256,922</b>	<b>123,530</b>

**Supplemental disclosures of cash flow information:**

Cash paid during the year for:				
Interest	\$	83,375	83,531	92,802
Income taxes, net		17,728	10,568	8,023
Acquisitions:				
Fair value of assets acquired, including cash and cash equivalents		198,008	76,458	—
Value ascribed to goodwill and other intangible assets		26,297	16,670	—
Fair value of liabilities assumed		182,201	64,514	—
<b>Non-cash investing activities:</b>				
Common stock issued for acquisitions		38,651	15,000	—
Transfer to other real estate owned from loans		1,200	756	244
		<u>          </u>	<u>          </u>	<u>          </u>

*See accompanying notes to consolidated financial statements.*

## Notes 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, financing of commercial insurance premiums, financing of high-yielding short-term accounts receivables 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 nine wholly-owned banking subsidiaries (collectively, “Banks”), seven of which the Company started as *de novo* institutions, including Lake Forest Bank & Trust Company (“Lake Forest Bank”), Hinsdale Bank & Trust Company (“Hinsdale Bank”), North Shore Community Bank & Trust Company (“North Shore Bank”), Libertyville Bank & Trust Company (“Libertyville Bank”), Barrington Bank & Trust Company, N.A. (“Barrington Bank”), Crystal Lake Bank & Trust Company, N.A. (“Crystal Lake Bank”) and Northbrook Bank & Trust Company (“Northbrook Bank”). The Company acquired Advantage National Bancorp, Inc. and its wholly-owned subsidiary, Advantage National Bank (“Advantage Bank”), in October 2003 and Village Bancorp, Inc. and its wholly-owned subsidiary, Village Bank & Trust of Arlington Heights (“Village Bank”), in December 2003. Both of the banks acquired in 2003 were started as *de novo* banks - Advantage Bank in 2001 and Village Bank in 1995. Wintrust provides trust and investment services to each of the Banks through its wholly-owned subsidiary, Wayne Hummer Trust Company, N.A., (“WHTC”). 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 three 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”. 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 to 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 generally reported at the principal amount outstanding, net of unearned income. 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 expected 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 as 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, 2003 and 2002, other real estate owned totaled \$368,000 and \$76,000, 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 ten 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. Changes in 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, including certain commitments to fund mortgage loans held-for-sale, 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 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 an unrelated 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, 2003 or 2002.

### *Long-term Debt — Trust Preferred Securities Offering Costs*

In connection with the Company's four issuances of the Long-term debt — trust preferred securities, approximately \$3.3 million 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. As of December 31, 2003, the unamortized balance of these costs was approximately \$2.1 million. See Note 15 for further information about the Long-term debt — trust preferred securities.

### *Trust Assets, Assets Under Management and Brokerage Assets*

Assets held in fiduciary or agency capacity for customers are not included in the consolidated financial statements as they are not assets of Wintrust or its subsidiaries. Fee income is recognized on an accrual basis 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):

	Years Ended December 31,		
	2003	2002	2001
Net income:			
As reported	\$38,118	27,875	18,439
Pro forma	36,762	26,651	17,742
Earnings per share — Basic:			
As reported	\$ 2.11	1.71	1.34
Pro forma	2.04	1.63	1.29
Earnings per share — Diluted:			
As reported	\$ 1.98	1.60	1.27
Pro forma	1.91	1.53	1.22

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 0.4%, 0.5% and 0.6% for 2003, 2002 and 2001, respectively; an expected volatility of 25.2%, 26.1% and 25.7% for 2003, 2002 and 2001, respectively; a risk free rate of return of 3.8%, 4.4% and 4.9% for 2003, 2002 and 2001, respectively; and an expected life of 8.4 years, 8.5 years and 6.8 years, respectively. The per share weighted average fair value of stock options granted during 2003, 2002 and 2001 was \$15.82, \$8.67 and \$4.91, 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 options-pricing 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, net of deferred taxes.

## (2) Recent Accounting Pronouncements

### *Consolidation of Variable Interest Entities*

In January 2003, the Financial Accounting Standards Board (“FASB”) issued FIN 46, which provides guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and results of operations of a VIE are to be included in an entity’s consolidated financial statements. A VIE exists when either the total equity investment at risk is not sufficient to permit the entity to finance its activities by itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics include the direct or indirect ability to make decisions about an entity’s activities through voting rights or similar rights, the obligation to absorb the expected losses of an entity if they occur, or the right to receive the expected residual returns of the entity if they occur. The provisions of this Interpretation were effective upon issuance for new VIEs and for fiscal years ending after December 15, 2003, for existing VIEs. During 2003, the Company applied the provisions of FIN 46 to two newly formed wholly-owned subsidiary trusts formed for purposes of issuing trust preferred securities, and accordingly, these trusts were not consolidated.

In December 2003, the FASB reissued FIN 46 with certain modifications and clarifications. Application of this guidance was effective for interests in certain VIEs commonly referred to as special-purpose entities (SPEs) as of December 31, 2003. Application for all other types of entities was deferred until periods ending after March 15, 2004, unless previously applied. Accordingly in the first quarter of 2004, the Company will deconsolidate its interests in two subsidiary trusts formed in 1998 and 2000 for purposes of issuing trust preferred securities. The deconsolidation will have no material effect on the Company’s consolidated financial statements.

Management has evaluated the applicability of FIN 46 to various other investments and interests and does not believe that the application of FIN 46 to any of these investments or interests, if required, will have a material impact on financial condition, results of operations, or liquidity.

### *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*

In May 2003, the FASB issued SFAS 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. This Statement establishes standards for classifying and measuring certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. The provisions of SFAS 150 became effective June 1, 2003, for all financial instruments created or modified after May 31, 2003, and otherwise became effective as of July 1, 2003. The adoption of this Statement did not have a material impact on the Company’s financial condition, results of operations, or liquidity.

### *Mortgage Loan Interest Rate Lock Commitments*

On December 11, 2003, the SEC staff announced its intention to release a Staff Accounting Bulletin that would require all registrants to account for mortgage loan interest rate lock commitments related to loans held-for-sale as written options, effective no later than for commitments entered into after March 31, 2004. The Banks enter into such commitments with customers in connection with residential mortgage loan applications. This guidance, if issued, would require the Banks to recognize a liability on their balance sheets equal to the fair value of the commitment at the time the loan commitment is issued. This guidance would delay the recognition of any revenue related to these commitments until such time as the loan is sold, however, it would have no effect on the ultimate amount of revenue or cash flows recognized over time. The Banks are currently assessing the impact of this pending guidance on its results of operations and financial position. In the quarter of adoption, there would likely be a one-time negative impact to revenue which is yet to be determined.

### *Non-GAAP Financial Measures*

In March 2003, the SEC issued Regulation G, “Conditions for Use of Non-GAAP Financial Measures”. As defined in Regulation G, a non-GAAP financial measure is a numerical measure of a company’s historical or future performance, financial position, or cash flow that excludes or includes amounts or adjustments that are included or excluded in the most directly comparable measure calculated in accordance with generally accepted accounting principles (GAAP). Companies that present non-GAAP financial measures must disclose a numerical reconciliation to the most directly comparable measurement using GAAP.

### (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, 2003 and 2002 is as follows (in thousands):

	December 31, 2003				December 31, 2002			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair Value
U.S. Treasury	\$ 56,663	53	(1,786)	54,930	34,150	12	(140)	34,022
U.S. Government agencies	310,070	741	(1,083)	309,728	139,707	1,045	—	140,752
Municipal	11,326	85	(47)	11,364	6,311	156	—	6,467
Corporate notes and other debt	35,248	486	(326)	35,408	40,667	61	(1,776)	38,952
Mortgage-backed	403,133	74	(9,968)	393,239	270,091	871	—	270,962
Federal Reserve/FHLB stock and other equity securities	101,029	1,183	—	102,212	56,363	161	—	56,524
<b>Total available-for-sale securities</b>	<b>\$917,469</b>	<b>2,622</b>	<b>(13,210)</b>	<b>906,881</b>	<b>547,289</b>	<b>2,306</b>	<b>(1,916)</b>	<b>547,679</b>

The following table presents the portion of the Company's available-for-sale securities portfolio which has gross unrealized losses, reflecting the length of time that individual securities have been in a continuous unrealized loss position at December 31, 2003 (in thousands):

	Continuous unrealized losses existing for less than 12 months		Continuous unrealized losses existing for greater than 12 months		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
U.S. Treasury	\$ 43,856	(1,786)	—	—	43,856	(1,786)
U.S. Government agencies	85,029	(1,083)	—	—	85,029	(1,083)
Municipal	4,054	(47)	—	—	4,054	(47)
Corporate notes and other debt	—	—	11,349	(326)	11,349	(326)
Mortgage-backed	387,808	(9,968)	—	—	387,808	(9,968)
Federal Reserve/FHLB stock and other equity securities	—	—	—	—	—	—
<b>Total available-for-sale securities</b>	<b>\$520,747</b>	<b>(12,884)</b>	<b>11,349</b>	<b>(326)</b>	<b>532,096</b>	<b>(13,210)</b>

Management does not believe any individual unrealized loss as of December 31, 2003 represents an other-than-temporary impairment. The Company held five investment securities at December 31, 2003 that had unrealized losses existing for greater than 12 months. The securities consisted of four floating rate trust preferred securities issued by large U.S. financial services holding companies (totaling \$7.6 million with \$284,000 of unrealized losses) and one investment in an adjustable mortgage-backed security fund (totaling \$3.8 million with \$42,000 of unrealized losses). Management believes the temporary impairment in fair value was caused by widening credit spreads on these type of investments since the dates the securities were acquired. The trust preferred securities were purchased by the Company in April 1999 while the adjustable mortgage-back security fund was purchased in March 1998. The four trust preferred securities have Moody's ratings ranging from A1 to Aa3. The risk of loss of principal or interest on these securities is very low.

The amortized cost and fair value of securities as of December 31, 2003 and 2002, 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 penalties (in thousands):

	December 31, 2003		December 31, 2002	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 21,111	21,202	62,223	62,184
Due in one to five years	304,146	304,503	56,176	56,264
Due in five to ten years	67,015	64,616	84,399	84,695
Due after ten years	21,035	21,109	18,036	17,049
Mortgage-backed	403,133	393,239	270,091	270,962
Federal Reserve/FHLB Stock and other equity	101,029	102,212	56,364	56,525
<b>Total available-for-sale securities</b>	<b>\$917,469</b>	<b>906,881</b>	<b>547,289</b>	<b>547,679</b>

In 2003, 2002 and 2001, the Company had gross realized gains on sales of available-for-sale securities of \$835,000, \$604,000 and \$524,000, respectively. During 2003, 2002 and 2001, gross realized losses on sales of available-for-sale securities totaled \$193,000, \$497,000 and \$187,000, respectively. Proceeds from sales of available-for-sale securities during 2003, 2002 and 2001, were \$3.3 billion, \$2.8 billion and \$1.3 billion, respectively. At December 31, 2003 and 2002, securities having a carrying value of \$269.2 million and \$143.2 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, 2003 and 2002 is as follows (in thousands):

	2003	2002
Commercial and commercial real estate	\$1,648,022	1,320,598
Home equity	466,812	365,521
Residential real estate	173,625	156,213
Premium finance receivables	746,895	461,614
Indirect auto loans	174,071	178,234
Tricom finance receivables	25,024	21,048
Consumer and other loans	63,345	52,858
<b>Total loans</b>	<b>\$3,297,794</b>	<b>2,556,086</b>

Certain real estate loans, including mortgage loans held-for-sale, and home equity loans with balances totaling approximately \$309.2 million and \$313.4 million, at December 31, 2003 and 2002, 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, 2003 and 2002, the Banks borrowed \$144.0 million and \$140.0 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 receivables and Tricom finance 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 is as follows (in thousands):

Balance at December 31, 2002	\$ 11,898
New loans and advances	6,776
Maturities and paydowns	(11,799)
	<hr/>
Balance at December 31, 2003	\$ 6,875
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#### (5) Allowance for Loan Losses

A summary of the activity in the allowance for loan losses for the years ended December 31, 2003, 2002, and 2001 is as follows (in thousands):

	Years Ended December 31,		
	2003	2002	2001
Allowance at beginning of year	<b>\$18,390</b>	13,686	10,433
Provision for loan losses	<b>10,999</b>	10,321	7,900
Allowance acquired in business combinations	<b>1,602</b>	—	—
Charge-offs	<b>(6,457)</b>	(6,589)	(5,322)
Recoveries	<b>1,007</b>	972	675
	<hr/>	<hr/>	<hr/>
Allowance at end of year	<b>\$25,541</b>	18,390	13,686
	<hr/>	<hr/>	<hr/>

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):

	Years Ended December 31,		
	2003	2002	2001
Total non-accrual loans (as of year-end)	<b>\$18,964</b>	6,842	8,967
Reduction of interest income from non-accrual loans	<b>277</b>	79	91
Average balance of impaired loans	<b>3,566</b>	767	503
Interest income recognized on impaired loans	<b>127</b>	26	9
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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.

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, 2003 and 2002 is as follows (in thousands):

	2003	2002
Impaired loans	<b>\$9,441</b>	983
Impaired loans that had allocated specific allowance for loan losses	<b>4,800</b>	965
Allocated allowance for loan losses	<b>880</b>	200
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#### (6) Mortgage Servicing Rights

The outstanding principal balance of mortgage loans serviced for others totaled \$285 million at December 31, 2003, \$239 million at December 31, 2002 and \$132 million at December 31, 2001. The following is a summary of the changes in mortgage servicing rights for the years ended December 31, 2003, 2002 and 2001 (in thousands):

	Years Ended December 31,		
	2003	2002	2001

Balance at beginning of year, net	<b>\$ 1,520</b>	906	633
Servicing rights capitalized	<b>2,439</b>	1,727	775
Amortization of servicing rights	<b>(1,923)</b>	(872)	(502)
Change in valuation allowance	<b>241</b>	(241)	—
Balance at end of year, net	<b>\$ 2,277</b>	1,520	906

At December 31, 2003, 2002 and 2001, the aggregate fair value of mortgage servicing rights was \$2.5 million, \$1.5 million and \$ 950,000, 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. The valuation allowance had a balance of \$241,000 at December 31, 2002. There was no valuation allowance at December 31, 2003 and 2001.

Amortization of existing balances of mortgage servicing rights is expected to approximate \$406,000 in 2004, \$390,000 in 2005, \$374,000 in 2006, \$358,000 in 2007 and \$325,000 in 2008.

## (7) Business Combinations

The Company completed three business combinations in 2003. All were accounted for under the purchase method of accounting; thus, the results of operations prior to their respective effective dates are not included in the accompanying consolidated financial statements. Goodwill, core deposit intangibles, customer list intangibles, and other purchase accounting adjustments were recorded upon the completion of each acquisition.

In December, 2003, Wintrust completed (effective date of December 1, 2003) its acquisition of 100% of the ownership interest of Village Bancorp Inc. and its wholly-owned subsidiary, Village Bank & Trust of Arlington Heights ("Village Bank"), in a stock merger transaction. Village Bank has locations in Arlington Heights and Prospect Heights, Illinois. Village Bank began operations as a *de novo* bank in 1995. Village Bank was acquired through the issuance of 257,202 shares of common stock (valued at \$9.3 million), \$147,000 in cash payments for acquisition costs and \$494,000 for the value of vested stock options for a total purchase price of \$10.0 million. The value of the common stock issued was determined using the unweighted average of the high and low sales prices of Wintrust's common stock on the Nasdaq National Market five days prior to and five days after the measurement date. The vested stock options were valued using the Black Scholes options-pricing model.

In October, 2003, Wintrust completed (effective date of October 1, 2003) its acquisition of 100% of the ownership interest of Advantage National Bancorp Inc. and its wholly-owned subsidiary, Advantage National Bank ("Advantage Bank"), in a stock merger transaction. Advantage Bank has locations in Elk Grove Village and Roselle, Illinois. Advantage Bank is a *de novo* bank that began operations in January, 2001. Advantage Bank was acquired through the issuance of 670,875 shares of common stock (valued at \$24.4 million), \$935,000 in cash payments to shareholders and warrant holders and for acquisition costs, and \$1.0 million for the value of vested stock options for a total purchase price of \$26.3 million. The value of the common stock issued was determined using the unweighted average of the high and low sales prices of Wintrust's common stock on the Nasdaq National Market five days prior to and five days after the measurement date. The vested stock options were valued using the Black-Scholes options-pricing model.

In February 2003, Wintrust completed (effective date of February 1, 2003) its acquisition of Lake Forest Capital Management Company ("LFCM") based in Lake Forest, Illinois. LFCM has been merged into Wayne Hummer Asset Management Company, Wintrust's existing asset management subsidiary. LFCM further expands the Company's wealth management business in the Chicago metropolitan area. LFCM was acquired through the issuance of 81,976 shares of common stock (valued at \$2.5 million), the issuance of 60,000 warrants (valued at \$950,000) to acquire the Company's common stock and cash payments of \$872,000 for acquisition costs and earned contingent payments for a total purchase price of \$5.8 million. Wintrust is obligated to pay additional consideration contingent upon the attainment of certain revenue performance measures over the next four years. The additional consideration, if any, will be recorded as 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 the warrants was determined using the Black Scholes options-pricing model.

The following table summarizes the estimated fair values of the assets acquired and the liabilities assumed at the date of acquisition for Village Bank, Advantage Bank and LFCM (in thousands):

	Village Bank	Advantage Bank	LFCM
<b>Assets:</b>			
Cash and due from banks	\$ 4,845	5,729	21
Interest-bearing deposits with banks	—	734	—
Fed funds sold	11,900	—	—
Available-for-sale securities	9,655	19,479	—
Trading account securities	—	—	—
Brokerage customer receivables	—	—	—
Loans	51,391	87,061	—
Allowance for loan losses	(614)	(988)	—
Goodwill	4,217	14,146	4,861
Other intangible assets	957	519	1,597
Other assets	3,529	4,870	396
Total assets	\$85,880	131,550	6,875
<b>Liabilities and Equity:</b>			
Deposits	\$73,309	93,713	—
Borrowings	1,686	11,030	520
Other liabilities	904	505	533
Equity	9,981	26,302	5,822
Total liabilities and equity	\$85,880	131,550	6,875

The following pro forma information reflects the Company's results of operations for the periods shown as if the results of Village Bank, Advantage Bank, LFCM and the Wayne Hummer Companies (which were acquired effective February 1, 2002) were included from the beginning of the periods shown (in thousands, except per share data):

	Years Ended December 31,	
	2003	2002
Net revenue	\$198,826	169,369
Income before taxes	58,999	42,451
Net income	37,883	27,849
Basic earnings per share	2.02	1.60
Diluted earnings per share	1.90	1.50

#### (8) 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 year ended December 31, 2001 (in thousands, except per share data).

	Years Ended December 31,		
	2003	2002	2001
Net income as reported	\$38,118	27,875	18,439
Add back: goodwill amortization	—	—	616
Less: related taxes	—	—	(208)
Pro forma	\$38,118	27,875	18,847
Earnings per share — Basic			
As reported	\$ 2.11	1.71	1.34
Add back: goodwill amortization	—	—	0.03
Pro forma	\$ 2.11	1.71	1.37
Earnings per share — Diluted			
As reported	\$ 1.98	1.60	1.27
Add back: goodwill amortization	—	—	0.03
Pro forma	\$ 1.98	1.60	1.30

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

	Jan 1, 2003	Goodwill Acquired	Impairment Losses	Dec 31, 2003
Banking	\$ 1,018	18,363	—	19,381
Premium finance	—	—	—	—
Indirect auto	—	—	—	—
Tricom	8,958	—	—	8,958
Wealth management	15,290	4,861	—	20,151
Parent and other	—	—	—	—
Total	\$25,266	23,224	—	48,490

Approximately \$17.0 million of the December 31, 2003 balance of goodwill is deductible for tax purposes.

A summary of finite-lived intangible assets as of December 31, 2003 and 2002 and the expected amortization as of December 31, 2003 is follows (in thousands):

	December 31,	
	2003	2002
Wealth management - customer list intangible	<b>\$2,159</b>	1,125
Banking — core deposit intangible	<b>1,439</b>	
Tricom — customer list intangible	—	40
Total	<b>\$3,598</b>	1,165
Estimated amortization		
2004	<b>\$ 781</b>	
2005	<b>661</b>	
2006	<b>554</b>	
2007	<b>465</b>	
2008	<b>396</b>	

As a result of the February, 2003 acquisition of LFCM, \$1.6 million of the purchase price was assigned to the customer list of LFCM and is being amortized over a seven-year period on an accelerated basis. As a result of the October, 2003 and December, 2003 acquisitions of Advantage Bank and Village Bank, \$519,000 and \$957,000, respectively, were assigned to core deposit intangibles. The core deposit intangibles assigned to both Advantage Bank and Village Bank are being amortized over a ten-year period on an accelerated basis. Total amortization expense associated with finite-lived intangibles in 2003, 2002 and 2001 was \$640,000, \$324,000 and \$69,000, respectively.

## (9) Premises and Equipment, Net

A summary of premises and equipment at December 31, 2003 and 2002 is as follows (in thousands):

	2003	2002
Land	\$ 35,951	21,202
Buildings and leasehold improvements	105,749	80,601
Furniture, equipment and computer software	41,730	34,360
Construction in progress	7,719	8,669
	<u>191,149</u>	<u>144,832</u>
Less: Accumulated depreciation and amortization	35,515	27,785
	<u>155,634</u>	<u>117,047</u>
Equipment under leasing contracts, net of accumulated depreciation	1,080	1,914
Premises and equipment, net	<u>\$156,714</u>	<u>118,961</u>

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 \$8.0 million and \$7.3 million in 2003 and 2002, respectively. Depreciation expense related to equipment under leasing contracts totaled \$813,000 and \$974,000 in 2003 and 2002, respectively.

## (10) Deposits

The following is a summary of deposits at December 31, 2003 and 2002 (in thousands):

	2003	2002
Non-interest bearing accounts	\$ 360,666	305,540
NOW accounts	407,803	354,499
NOW-Brokerage customer deposits	338,479	231,700
Money market accounts	470,849	399,441
Savings accounts	183,394	147,669
Time certificates of deposits	2,115,430	1,650,275
Total deposits	<u>\$3,876,621</u>	<u>3,089,124</u>

The scheduled maturities of time certificates of deposits at December 31, 2003 and 2002 are as follows (in thousands):

	2003	2002
Due in one year	\$1,301,174	1,033,840
Due in one to two years	408,414	373,047
Due in two to three years	179,459	106,345
Due in three to four years	137,170	43,803
Due after four years	89,213	93,240
Total time certificates of deposits	<u>\$2,115,430</u>	<u>1,650,275</u>

Certificates of deposit in amounts of \$100,000 or more approximated \$1.08 billion and \$818.7 million at December 31, 2003 and 2002, respectively.

## (11) Notes Payable

A summary of the outstanding balances of notes payable at December 31, 2003 and 2002 is as follows (in thousands):

	2003	2002
Maturity less than one year	\$ —	19,025
Maturity greater than one year	<b>26,000</b>	25,000
Total notes payable	<b>\$26,000</b>	44,025

The notes payable balance represents the outstanding balance on a revolving loan agreement (“Agreement”) with an unaffiliated bank. At December 31, 2003, the total amount of the Agreement is \$51.0 million, comprised of a \$25.0 million revolving note that matures on May 1, 2004 (which had no outstanding balance at year end), a \$25.0 million revolving note that matures on February 27, 2006 and a \$1.0 million note that matures on May 1, 2013. 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, 2003 and 2002, the interest rates on the notes payable were 2.57% and 2.78% respectively. At December 31, 2003 and 2002, \$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 except Advantage Bank and Village Bank and contains several restrictive covenants, including the maintenance of various capital adequacy levels, asset quality and profitability ratios, and certain restrictions on dividends and other indebtedness. At December 31, 2003, 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, 2003 and 2002, is as follows (in thousands):

	2003	2002
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	25,000
4.79% advance due June 2012	25,000	25,000
2.40% advance due September 2005	1,612	—
1.98% advance due March 2005	1,706	—
3.13% advance due September 2006	708	—
Federal Home Loan Bank advances	<b>\$144,026</b>	140,000

All of the FHLB advances bear fixed rates of interest. The advances due in 2011 and 2012 have varying one-time call dates ranging from July 2004 to June 2007. The amounts in the above table for advances due in 2005 and 2006 represent the par value of the debt adjusted for unamortized basis adjustments resulting from recording the advances at fair value in connection with the acquisition of Advantage Bank in October 2003. The weighted-average interest rate on FHLB advances at December 31, 2003, was 4.11%.

The Company has an arrangement with the FHLB whereby based on available collateral (residential mortgages), the Company could have borrowed an additional \$47.9 million at December 31, 2003.

## (13) Subordinated Notes

A summary of the subordinated notes at December 31, 2003 and 2002 is as follows (in thousands):

	2003	2002
Subordinated note, due October 29, 2012	\$25,000	25,000
Subordinated note, due May 1, 2013	25,000	—
Total subordinated notes	<b>\$50,000</b>	25,000

Each of the subordinated notes requires annual principal payments of \$5.0 million beginning in the sixth year of the note and may be redeemed by the Company at any time prior to maturity. Interest is calculated at a floating rate equal to LIBOR plus 260 basis points. The Company effectively converted the subordinated note due in 2012 to a fixed-rate note through the use of an interest rate swap. See Notes 1 and 21 for further discussion on derivative instruments. The subordinated notes qualify as Tier II capital for regulatory purposes.

## (14) Other Borrowings

The following is a summary of other borrowings at December 31, 2003 and 2002 (in thousands):

	2003	2002
Federal funds purchased	\$38,800	2,000
Securities sold under repurchase agreements	26,544	24,560
Wayne Hummer Companies funding	9,025	15,148
Other	3,700	5,000
Total other borrowings	<b>\$78,069</b>	46,708

As of December 31, 2003 and 2002, the interest rate on federal funds purchased was 1.27% and 1.50%, 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, 2003 and 2002, the weighted average interest rate of securities sold

under repurchase agreements was 0.75% and 1.06%, respectively.

The Wayne Hummer Companies funding consists of collateralized demand obligations to banks that are used to finance securities purchased by customers on margin and securities owned by WHI. At December 31, 2003, \$21.8 million of customers' securities and \$2.3 million of WHI's trading securities were pledged on behalf of these borrowings. The weighted average interest rate at December 31, 2003 and 2002 was 1.56% and 1.70%, respectively. 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 Trust Preferred Securities in four separate issuances through Wintrust Capital Trust I, Wintrust Capital Trust II, Wintrust Capital Trust III and Wintrust Statutory Trust IV (the “Trusts”). The Company owns 100% of the Common Securities of each of the Trusts. 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 interest rates as the Trust Preferred Securities. The Debentures are the sole assets of the Trusts. In each Trust the Common Securities represent 3% of the Debentures and the Trust Preferred Securities represent 97% of the Debentures.

Wintrust Capital Trust I and Wintrust Capital Trust II are consolidated in the Company’s financial statements, which results in eliminating the Common Securities owned by the Company and the Debentures (and related income statement effects) and reporting the Trust Preferred Securities of these Trusts as “Long-term debt — trust preferred securities” in the Consolidated Statements of Condition. However, in accordance with the effective date provisions of FIN 46 (Revised), “Consolidation of Variable Interest Entities”, which reflects new accounting guidance governing when an equity interest should be consolidated, Wintrust Capital Trust III, formed in April 2003, and Wintrust Statutory Trust IV, formed in December 2003, are not consolidated in the Company’s financial statements. Accordingly, the Debentures issued by the Company to these Trusts (as opposed to the Trust Preferred Securities issued by these Trusts) are reflected in the Company’s Consolidated Statements of Condition as “Long-term debt — trust preferred securities.” Application of FIN 46 (Revised) will result in the deconsolidation of Wintrust Capital Trust I and Wintrust Capital Trust II in the first quarter of 2004. The deconsolidation of these two Trusts will result in increasing the reported amount of “Long-term debt — trust preferred securities” by \$1.6 million, which represents the amount of the Company’s Common Securities in these Trusts.

A summary of the Company’s Long-term debt — trust preferred securities at December 31, 2003 and 2002, is as follows (in thousands):

	2003	2002
9.0% trust preferred securities of Wintrust Capital Trust I, due September 30, 2028	\$31,050	31,050
Less: adjustment for fair value hedge	(632)	(156)
	<u>30,418</u>	<u>30,894</u>
10.5% trust preferred securities of Wintrust Capital Trust II, due June 30, 2030	20,000	20,000
Floating rate (LIBOR + 3.25%) Debentures owed to Wintrust Capital Trust III, due April 7, 2033	25,774	—
Floating rate (LIBOR + 2.80%) Debentures owed to Wintrust Statutory Trust IV, due December 8, 2033	20,619	—
Total long-term debt — trust preferred securities	<u>\$96,811</u>	<u>50,894</u>

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 were set at five years from the issue dates, and are on or after September 30, 2003 for Wintrust Capital Trust I, June 30, 2005 for Wintrust Capital Trust II, April 7, 2008 for Wintrust Capital Trust III and December 8, 2008 for Wintrust Statutory Trust IV.

The Trust Preferred Securities, subject to certain limitations, qualify as Tier 1 capital of the Company for regulatory purposes. As a result of FIN 46, the Federal Reserve is currently evaluating whether deconsolidation of the Trusts will affect the qualification of the Trust Preferred Securities as Tier I capital. Should the Federal Reserve determine that existing trust preferred securities no longer qualify as Tier I capital, a Capital Treatment Event (as defined in the agreements) would occur and provide the Company with the right to redeem the Debentures prior to their otherwise noted early redemption dates.

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 operating leases was \$2.2 million in 2003, \$2.1 million in 2002 and \$1.1 million in 2001. The Company also leases certain owned premises and receives rental income from such agreements. Gross rental income related to the Company's buildings totaled \$1.1 million, \$646,000 and \$502,000, in 2003, 2002 and 2001, respectively. In 2003, 2002 and 2001, the Company also recorded equipment lease income of approximately \$755,000, \$1.2 million and \$1.6 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, 2003 for all noncancelable leases are as follows (in thousands):

	Future minimum gross rental payments	Future minimum gross rental income	Future minimum equipment lease income
2004	\$1,956	1,028	534
2005	1,743	745	216
2006	1,688	521	16
2007	1,491	441	—
2008	153	374	—
2009 and thereafter	604	161	—
<b>Total minimum future amounts</b>	<b>\$7,635</b>	<b>3,270</b>	<b>766</b>

#### (17) Income Taxes

Income tax expense for the years ended December 31, 2003, 2002 and 2001 is summarized as follows (in thousands):

	Years Ended December 31,		
	2003	2002	2001
<b>Current income taxes:</b>			
Federal	<b>\$18,752</b>	13,154	8,492
State	<b>1,662</b>	290	153
<b>Total current income taxes</b>	<b>20,414</b>	13,444	8,645
<b>Deferred income taxes:</b>			
Federal	<b>493</b>	446	1,348
State	<b>319</b>	730	443
<b>Total deferred income taxes</b>	<b>812</b>	1,176	1,791
<b>Total income tax expense</b>	<b>\$21,226</b>	14,620	10,436

The exercise of certain stock options produced tax benefits of \$3.6 million in 2003, \$2.8 million in 2002 and \$312,000 in 2001 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):

	Years Ended December 31,		
	2003	2002	2001
Computed "expected" income tax expense	<b>\$20,770</b>	14,873	10,195
Increase (decrease) in tax resulting from:			
Tax-exempt interest, net of interest expense disallowance	<b>(381)</b>	(475)	(469)
State taxes, net of federal tax benefit	<b>1,288</b>	663	388
Income earned on life insurance policies	<b>(691)</b>	(291)	—
Other, net	<b>240</b>	(150)	322
Income tax expense	<b>\$21,226</b>	14,620	10,436

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2003 and 2002 are as follows (in thousands):

	2003	2002
Deferred tax assets:		
Allowance for loan losses	\$ 9,763	7,047
Net unrealized losses on securities (SFAS 115)	3,689	—
Net unrealized losses on derivatives (SFAS 133)	145	609
Federal net operating loss carryforward	3,849	3,529
State net operating loss carryforward	—	148
Deferred compensation	1,818	1,101
Other	708	127
<b>Total gross deferred tax assets</b>	<b>19,972</b>	<b>12,561</b>
Deferred tax liabilities:		
Premises and equipment	4,638	3,430
Deferred loan fees and costs	693	990
Capitalized servicing rights	1,217	1,056
Goodwill and intangible assets	2,847	1,013
FHLB stock dividends	1,483	505
Net unrealized gains on securities (SFAS 115)	—	137
Other	427	232
<b>Total gross deferred tax liabilities</b>	<b>11,305</b>	<b>7,363</b>
<b>Net deferred tax assets</b>	<b>\$ 8,667</b>	<b>5,198</b>

At December 31, 2003, Wintrust had Federal net operating loss carryforwards of \$11.0 million which are available to offset future taxable income. These net operating losses expire in years 2005 through 2022 and are subject to certain statutory limitations.

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 4,581,041 shares of Common Stock may be granted under the Plan.

In general 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 the years ended December 31, 2003, 2002 and 2001 is as follows:

	Common Shares	Range of Strike Prices	Weighted Average Strike Price
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
<b>Conversion of options of acquired</b>			

<b>companies</b>	<b>100,003</b>	<b>19.82 - 35.05</b>	<b>27.74</b>
<b>Granted</b>	<b>498,200</b>	<b>11.33 - 45.46</b>	<b>41.79</b>
<b>Exercised</b>	<b>347,501</b>	<b>5.17 - 30.59</b>	<b>8.15</b>
<b>Forfeited or canceled</b>	<b>14,560</b>	<b>9.58 - 30.59</b>	<b>22.06</b>
<b>Outstanding at December 31, 2003</b>	<b>3,118,005</b>	<b>\$ 5.17 - 45.46</b>	<b>\$18.75</b>

At December 31, 2003, 2002 and 2001, the weighted-average remaining contractual life of outstanding options was 6.1 years, 6.0 years and 5.0 years, respectively. Additionally, at December 31, 2003, 2002 and 2001, the number of options exercisable was 1,772,067, 1,668,709 and 1,935,569, respectively, and the weighted-average per share exercise price of those options was \$12.08, \$9.50 and \$8.16, respectively. Expiration dates for options outstanding at December 31, 2003 range from November 3, 2004 to December 22, 2013.

The following table presents certain information about the outstanding stock options and the currently exercisable stock options as of December 31, 2003:

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 - 8.29	437,107	\$ 7.08	1.56 years	437,107	\$ 7.08
9.21 - 11.25	387,141	10.05	4.20 years	318,816	9.99
11.33 - 12.00	657,821	11.77	4.65 years	639,941	11.77
12.29 - 14.50	261,425	12.72	6.67 years	124,760	12.77
18.48 - 18.81	507,165	18.80	8.05 years	105,360	18.79
19.82 - 29.53	228,075	23.54	8.55 years	66,332	20.66
30.57 - 35.05	234,071	31.75	8.33 years	79,751	33.18
43.20 - 45.46	405,200	44.61	9.92 years	—	—
<b>\$ 5.17 - 45.46</b>	<b>3,118,005</b>	<b>\$18.75</b>	<b>6.13 years</b>	<b>1,772,067</b>	<b>\$12.08</b>

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 2003 and 2002, Restricted Stock Unit Awards representing the rights to acquire 25,738 and 47,057 shares of common stock, respectively, were granted, with an average grant-date per share value of \$30.83 and \$18.82, respectively. As of December 31, 2003, 35,738 Restricted Stock Unit Awards were outstanding. Compensation expense for restricted stock is based on the quoted per share market price of the stock at the grant date and is accrued over the vesting period. Total compensation expense recognized for the restricted stock in 2003 and 2002 was \$784,000 and \$655,000, respectively. 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, subject to certain Plan and statutory limitations. 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 \$1.3 million in 2003, \$790,000 in 2002 and \$246,000 in 2001.

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 2003, 2002 and 2001, a total of 35,848 shares, 34,123 shares and 14,454 shares, respectively, were issued to participant accounts and approximately \$314,000, \$286,000 and \$98,000, respectively, was recognized as compensation expense. The eleventh offering period concludes on March 31, 2004. The Company plans to continue to periodically offer Common Stock through this SPP subsequent to March 31, 2004.

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 2003, cash dividends totaling \$13.5 million and \$5.5 million, respectively, were paid to Wintrust by the Banks. As of January 1, 2004, the Banks had approximately \$76.4 million available to be paid as dividends to Wintrust; however, only \$35.4 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, 2003 and 2002, reserve balances of approximately \$36.2 million and \$23.0 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, 2003 and 2002:

	2003	2002
Total Capital to Risk Weighted Assets	12.1%	9.4%
Tier 1 Capital to Risk Weighted Assets	10.2	8.0
Tier 1 Leverage Capital to Average Quarterly Assets	8.9	7.0

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, 2003, 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 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, 2003 and 2002 are presented in the following table (dollars in thousands):

	December 31, 2003				December 31, 2002			
	Actual		To Be Well Capitalized by Regulatory Definition		Actual		To Be Well Capitalized by Regulatory Definition	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Total Capital (to Risk Weighted Assets):</b>								
Lake Forest Bank	\$103,027	11.4%	\$ 90,672	10.0%	\$80,218	11.0%	\$ 73,006	10.0%
Hinsdale Bank	63,125	10.8	58,609	10.0	54,447	10.7	50,899	10.0
North Shore Bank	74,785	10.9	68,438	10.0	71,121	11.4	62,409	10.0
Libertyville Bank	54,896	11.0	50,061	10.0	43,036	10.4	41,408	10.0
Barrington Bank	49,150	10.7	46,143	10.0	39,859	10.9	36,697	10.0
Crystal Lake Bank	39,975	11.6	34,499	10.0	28,708	12.3	23,310	10.0
Northbrook Bank	21,780	10.7	20,303	10.0	17,093	12.4	13,801	10.0
Advantage Bank	13,055	12.1	10,752	10.0	—	—	—	—
Village Bank	6,632	11.9	5,569	10.0	—	—	—	—
<b>Tier 1 Capital (to Risk Weighted Assets):</b>								
Lake Forest Bank	\$ 97,270	10.7%	\$ 54,403	6.0%	\$75,736	10.4%	\$ 43,803	6.0%
Hinsdale Bank	58,584	10.0	35,165	6.0	50,736	10.0	30,539	6.0
North Shore Bank	70,432	10.3	41,063	6.0	67,827	10.9	37,446	6.0
Libertyville Bank	51,597	10.3	30,036	6.0	40,432	9.8	24,845	6.0
Barrington Bank	45,874	9.9	27,686	6.0	37,492	10.2	22,018	6.0
Crystal Lake Bank	38,222	11.1	20,699	6.0	27,533	11.8	13,986	6.0
Northbrook Bank	20,525	10.1	12,182	6.0	16,323	11.8	8,281	6.0
Advantage Bank	11,929	11.1	6,451	6.0	—	—	—	—
Village Bank	6,009	10.8	3,342	6.0	—	—	—	—
<b>Tier 1 Leverage Capital (to Average Quarterly Assets):</b>								
Lake Forest Bank	\$ 97,270	8.7%	\$ 55,897	5.0%	\$75,736	8.1%	\$ 46,887	5.0%
Hinsdale Bank	58,584	8.2	35,650	5.0	50,736	8.1	31,402	5.0
North Shore Bank	70,432	8.6	40,952	5.0	67,827	9.4	35,939	5.0
Libertyville Bank	51,597	9.0	28,813	5.0	40,432	8.4	24,135	5.0
Barrington Bank	45,874	8.5	27,085	5.0	37,492	8.6	21,752	5.0
Crystal Lake Bank	38,222	9.7	19,680	5.0	27,533	9.8	13,992	5.0
Northbrook Bank	20,525	8.4	12,279	5.0	16,323	9.3	8,798	5.0
Advantage Bank	11,929	9.7	6,142	5.0	—	—	—	—
Village Bank	6,009	7.8	3,841	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, 2003, WHI had net capital of \$5.0 million, which was \$4.2 million in excess of its required minimum net capital and FI had net capital of \$270,000, which was \$220,000 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. As of December 31, 2003 and 2002, commitments to extend commercial, commercial real estate and construction loans totaled \$784.2 million and \$577.3 million, respectively, and unused home equity lines totaled \$473.7 million and \$385.3 million, respectively. Standby and commercial letters of credit totaled \$44.1 million at December 31, 2003 and \$29.4 million at December 31, 2002.

In addition, at December 31, 2003, the Banks had approximately \$15.7 million in commitments to fund residential mortgage loans to be sold into the secondary market. These lending commitments are also considered derivative instruments under the guidelines of SFAS 133. The Banks also enter into forward contracts for the future delivery of residential mortgage loans at specified interest rates to reduce the interest rate risk associated with commitments to fund loans as well as mortgage loans held-for-sale. These contracts are also considered derivative instruments under SFAS 133 and totaled approximately \$39.7 million as of December 31, 2003. See Note 21 for further discussion on derivative instruments.

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, 2003 and 2002, outstanding premium finance receivables sold to and serviced for third parties for which the Company has a recourse obligation were \$113.4 million and \$141.1 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 have been 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 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 non-interest income or non-interest expense, as appropriate, during the period of the change. 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 derivatives used by the Company for interest-rate risk management and designated as accounting hedges under SFAS 133 at December 31, 2003 and 2002 follows (in thousands):

	2003		2002	
	Notional Amount	Derivative Liability	Notional Amount	Derivative Liability
<b>CASH FLOW HEDGES</b>				
Notes payable:				
Pay-fixed interest rate swap, matures February 2004	\$25,000	245	25,000	1,125
Subordinated note:				
Pay-fixed interest rate swap, matures October 2012	25,000	331	25,000	723
Deposit products:				
Interest rate caps, matured February 2003	—	—	50,000	—
Total Cash Flow Hedges	<u>50,000</u>	<u>576</u>	<u>100,000</u>	<u>1,848</u>
<b>FAIR VALUE HEDGES</b>				
9.0% Trust-preferred securities:				
Callable, receive-fixed interest rate swap, matures September 2028	31,050	632	31,050	156
Total Fair Value Hedges	<u>31,050</u>	<u>632</u>	<u>31,050</u>	<u>156</u>
Total derivatives used for interest rate risk management and designated in SFAS 133 relationships	<u>\$81,050</u>	<u>1,208</u>	<u>131,050</u>	<u>2,004</u>

All of the interest rate derivatives designated as hedges in SFAS 133 relationships were considered highly effective for the years ending December 31, 2003 and 2002, 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, 2003 that is expected to be reclassified into earnings within the next twelve months is approximately \$462,000.

The Company does not enter into derivatives for purely speculative purposes. However, certain derivatives have not been designated in a SFAS 133 hedge relationship. These derivatives include commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of residential mortgage loans. It is the Company's practice to enter into forward commitments for the future delivery of fixed rate residential mortgage loans when interest rate lock commitments are entered into in order to economically hedge the effect of changes in interest rates on its commitments to fund the loans as well as on its portfolio of mortgage loans held-for-sale. At December 31, 2003, the Company had approximately \$15.7 million of interest rate lock commitments and \$39.7 million of forward commitments for the future delivery of residential mortgage loans. The fair values of these derivatives at December 31, 2003 were nominal. The fair values were estimated based on changes in mortgage rates from the date of the commitments.

At December 31, 2002, the Company had \$25 million 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. No interest rate cap contracts were entered into in 2003.

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, 2003 or 2002.

Derivatives owned by the Company on January 1, 2001, the date the Company adopted SFAS 133, 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.

## (22) Fair Value of Financial Instruments

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments", defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at December 31, 2003 and 2002 (in thousands):

	At December 31, 2003		At December 31, 2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Financial Assets:</b>				
Cash and cash equivalents	\$ 174,777	174,777	261,340	261,340
Available-for-sale securities	906,881	906,881	547,679	547,679
Trading account securities	3,669	3,669	5,558	5,558
Brokerage customer receivables	33,912	33,912	37,592	37,592
Mortgage loans held-for-sale	24,041	24,041	90,446	90,446
Loans, net of unearned income	3,297,794	3,322,801	2,556,086	2,565,618
Accrued interest receivable	12,532	12,532	11,536	11,536
<b>Total financial assets</b>	<b>\$4,453,606</b>	<b>4,478,613</b>	<b>3,510,237</b>	<b>3,519,769</b>
<b>Financial Liabilities:</b>				
Non-maturity deposits	\$1,761,191	1,761,191	1,438,849	1,438,849
Deposits with stated maturities	2,115,430	2,134,953	1,650,275	1,673,514
Notes payable	26,000	26,000	44,025	44,025
Federal Home Loan Bank advances	144,026	151,993	140,000	151,782
Subordinated notes	50,000	50,000	25,000	25,000
Other borrowings	78,069	78,069	46,708	46,708
Long-term debt - trust preferred securities	96,811	101,595	50,894	55,883
Accrued interest payable	5,647	5,647	4,573	4,573
<b>Total financial liabilities</b>	<b>\$4,277,174</b>	<b>4,309,448</b>	<b>3,400,324</b>	<b>3,440,334</b>
<b>Derivative contracts:</b>				
Interest rate cap agreements	—	—	—	—
Interest rate swap contracts	\$ (1,208)	(1,208)	(2,004)	(2,004)

*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.

*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 by interest rate type (fixed and variable) and term.

For variable-rate loans that reprice frequently, estimated fair values are based on carrying values. The fair value of 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 fixed rate 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 values of accrued interest receivable and accrued interest payable approximate market values due to the relatively short period of time to expected realization.

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

*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 is determined using a discounted cash flow analysis based on current market rates of similar maturity debt securities to discount cash flows.

*Subordinated notes:* The carrying value of the subordinated notes payable approximates fair value due to the relatively short period 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 - trust preferred securities:* The fair value of long-term debt - trust preferred securities of Wintrust Capital Trust I and Wintrust Capital Trust II, which have fixed rates of interest, are determined based on the quoted market prices as of the last business day of the year. The fair value of the long-term debt - trust preferred securities of Wintrust Capital Trust III and Wintrust Statutory Trust IV, which have variable interest rates, approximates carrying value.

*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 businesses have not been considered.

## (23) Shareholders' Equity

A summary of the Company's common and preferred stock at December 31, 2003 and 2002, is as follows:

	2003	2002
<b>Common Stock:</b>		
Shares authorized	<b>30,000,000</b>	30,000,000
Shares issued	<b>20,066,265</b>	17,216,270
Shares outstanding	<b>20,066,265</b>	17,216,270
Cash dividend per share	<b>\$ 0.16</b>	\$ 0.12
<b>Preferred Stock:</b>		
Shares authorized	<b>20,000,000</b>	20,000,000
Shares issued	—	—
Shares outstanding	—	—

The Company reserves shares of its authorized common stock specifically for its Stock Incentive Plan, its Employee Stock Purchase Plan and its Directors Deferred Fee and Stock 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 \$30.50 per share. Warrants outstanding at December 31, 2003 and 2002 were 226,089 and 204,312, respectively. Expiration dates on the remaining outstanding warrants at December 31, 2003 range from April 2004 through February 2013.

In September 2003, the Company issued 1,377,108 of common stock, including the underwriters' over-allotment option, through a public offering. Net proceeds to the Company from the sale, after deducting the underwriting discount and estimated offering expenses, were approximately \$46.1 million.

The Company issued 81,976 shares of common stock in February 2003, 670,875 shares of common stock in October 2003 and 257,202 shares of common stock in December 2003 in connection with the acquisitions of LFCM, Advantage Bank and Village Bank, respectively. Additionally, 60,000 warrants to acquire the Company's common stock at \$30.50 were issued in the LFCM acquisition.

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 February 2002, the Company issued 762,742 shares of its common stock in the acquisition of the Wayne Hummer Companies.

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 2004 Board of Directors meeting, a semiannual cash dividend of \$0.10 per share (\$0.20 on an annualized basis) was declared. It was paid on February 19, 2004 to shareholders of record as of February 5, 2004.

The following table summarizes the components of other comprehensive income, including the related income tax effects, for the years ending December 31, 2003, 2002 and 2001 (in thousands):

	2003	2002	2001
Unrealized net gain (loss) on available-for-sale securities	\$(10,336)	3,168	(1,747)
Related tax (expense) benefit	3,602	(1,105)	588
Net after tax unrealized gain (loss) on available-for-sale securities	(6,734)	2,063	(1,159)
Less: reclassification adjustment for net gains realized in net income during the year	642	107	337
Related tax expense	(225)	(38)	(118)
Net after tax reclassification adjustment	417	69	219
Unrealized net gain (loss) on available-for-sale securities, net of reclassification adjustment	(7,151)	1,994	(1,378)
Unrealized net gain (loss) on derivatives used as cash flow hedges	1,322	(871)	(866)
Related tax (expense) benefit	(463)	305	303
Unrealized net gain (loss) on derivatives used as cash flow hedges	859	(566)	(563)
Total other comprehensive income (loss)	\$ (6,292)	1,428	(1,941)

A rollforward of the change in accumulated other comprehensive income for the years ending December 31, 2003, 2002 and 2001 is as follows (in thousands):

	2003	2002	2001
Accumulated other comprehensive loss at beginning of year	\$ (876)	(2,304)	(363)
Other comprehensive income (loss)	(6,292)	1,428	(1,941)
Accumulated other comprehensive loss at end of year	\$(7,168)	(876)	(2,304)

Accumulated other comprehensive income at December 31, 2003, 2002 and 2001 is comprised of the following components (in thousands):

	2003	2002	2001
Accumulated unrealized gains (losses) on securities available-for-sale	\$(6,899)	253	(1,741)
Accumulated unrealized losses on derivatives used as cash flow hedges	(269)	(1,129)	(563)
Total accumulated other comprehensive loss at end of year	\$(7,168)	(876)	(2,304)

## (24) Segment Information

The Company's operations consist of five primary segments: banking, premium finance, indirect auto, Tricom and wealth management. Through its nine 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 out-sourced 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, WHAMCO, 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 fullrange of investment products and services tailored to meet the specific needs of individual investors, primarily in the Midwest. Additionally, WHAMCO is the investment advisory affiliate of WHI and is advisor to the Wayne Hummer family of mutual funds. 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 nine 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
<b>2003</b>							
Net interest income (expense)	\$ 108,283	44,531	6,964	3,647	6,852	(49,785)	120,492
Provision for loan losses	10,183	2,165	758	30	—	(2,137)	10,999
Noninterest income	33,406	5,411	73	4,165	29,761	(224)	72,592
Noninterest expense	73,307	11,915	2,346	5,101	36,112	(6,040)	122,741
Income tax expense (benefit)	20,616	14,237	1,561	1,086	181	(16,455)	21,226
<b>Net income (loss)</b>	<b>\$ 37,583</b>	<b>21,625</b>	<b>2,372</b>	<b>1,595</b>	<b>320</b>	<b>(25,377)</b>	<b>38,118</b>
<b>Total assets at end of period</b>	<b>\$4,683,537</b>	<b>773,366</b>	<b>182,917</b>	<b>35,733</b>	<b>76,576</b>	<b>(1,004,731)</b>	<b>4,747,398</b>
<b>2002</b>							
Net interest income (expense)	\$ 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
Noninterest income	25,864	4,623	50	3,501	26,152	482	60,672
Noninterest 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
<b>Net income (loss)</b>	<b>\$ 28,714</b>	<b>14,905</b>	<b>3,035</b>	<b>1,573</b>	<b>(330)</b>	<b>(20,022)</b>	<b>27,875</b>
<b>Total assets at end of period</b>	<b>\$3,645,466</b>	<b>517,359</b>	<b>184,018</b>	<b>34,977</b>	<b>75,354</b>	<b>(735,619)</b>	<b>3,721,555</b>
<b>2001</b>							
Net interest income (expense)	\$ 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
Noninterest income	18,520	4,520	10	4,084	1,966	(332)	28,798
Noninterest expense <sup>(1)</sup>	49,059	10,288	2,203	5,813	3,421	(4,586)	66,198
Income tax expense (benefit) <sup>(1)</sup>	11,528	6,960	1,459	870	(257)	(10,285)	10,275
<b>Net income (loss)</b>	<b>\$ 20,847</b>	<b>10,572</b>	<b>2,216</b>	<b>1,249</b>	<b>(413)</b>	<b>(16,032)</b>	<b>18,439</b>
<b>Total assets at end of period</b>	<b>\$2,674,121</b>	<b>375,221</b>	<b>189,912</b>	<b>28,121</b>	<b>5,588</b>	<b>(567,541)</b>	<b>2,705,422</b>

(1) Includes amounts reported 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.

## (25) Condensed Parent Company Financial Statements

### Condensed Balance Sheets

(in thousands):

	December 31,	
	2003	2002
<b>Assets</b>		
Cash	\$ 65,299	55
Other investments	4,443	155
Loans	234	1,700
Investment in subsidiaries	454,556	350,462
Other assets	14,779	7,837
<b>Total assets</b>	<b>\$539,311</b>	<b>360,209</b>
<b>Liabilities and Shareholders' Equity</b>		
Other liabilities	\$ 11,384	6,710
Notes payable	26,000	44,025
Subordinated note	50,000	25,000
Other borrowings	3,700	5,000
Long-term debt - trust preferred securities	98,390	52,472
Shareholders' equity	349,837	227,002
<b>Total liabilities and shareholders' equity</b>	<b>\$539,311</b>	<b>360,209</b>

### Condensed Statements of Income

(in thousands):

	Years Ended December 31,		
	2003	2002	2001
<b>Income</b>			
Dividends from subsidiaries	\$ 5,500	—	13,500
Other income	266	829	284
<b>Total income</b>	<b>5,766</b>	<b>829</b>	<b>13,784</b>
<b>Expenses</b>			
Interest expense	8,882	7,836	7,082
Salaries and employee benefits	2,024	1,271	692
Amortization of goodwill	—	—	104
Other expenses	2,325	1,756	1,723
<b>Total expenses</b>	<b>13,231</b>	<b>10,863</b>	<b>9,601</b>
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	(7,465)	(10,034)	4,183
Income tax benefit	(4,726)	(3,642)	(3,515)
Income (loss) before equity in undistributed net income of subsidiaries	(2,739)	(6,392)	7,698
Equity in undistributed net income of subsidiaries	40,857	34,267	10,741
<b>Net income</b>	<b>\$38,118</b>	<b>27,875</b>	<b>18,439</b>

### Condensed Statements of Cash Flows

(in thousands):

Years Ended December 31,

	2003	2002	2001
<b>Operating activities:</b>			
Net income	\$ 38,118	27,875	18,439
Adjustments to reconcile net income to net cash provided by (used for) operating activities:			
Depreciation and amortization	166	185	398
Deferred income tax expense (benefit)	585	251	(135)
Tax benefit from exercises of stock options	3,579	2,809	312
Increase in other assets	(5,643)	(1,863)	(2,971)
Increase in other liabilities	3,687	4,422	1,345
Equity in undistributed net income of subsidiaries	(40,857)	(34,267)	(10,741)
Net cash provided by (used for) operating activities	(365)	(588)	6,647
<b>Investing activities:</b>			
Capital contributions to subsidiaries	(29,876)	(51,598)	(48,150)
Cash paid for business combinations	(1,954)	(8,437)	—
Other investing activity, net	(1,018)	(549)	231
Net cash used for investing activities	(32,848)	(60,584)	(47,919)
<b>Financing activities:</b>			
Increase (decrease) in notes payable, net	(19,325)	(2,550)	19,000
Proceeds from issuance of subordinated notes	25,000	25,000	—
Proceeds from trust preferred securities offering	45,000	—	—
Common stock issuance, net	46,144	36,512	22,222
Common stock issued upon exercise of stock options	2,829	2,695	984
Common stock issued through employee stock purchase plan	1,229	974	254
Proceeds from conversion of common stock warrants	381	277	11
Dividends paid	(2,784)	(1,903)	(1,279)
Purchases of common stock	(17)	(10)	—
Net cash provided by financing activities	98,457	60,995	41,192
Net increase (decrease) in cash	65,244	(177)	(80)
Cash at beginning of year	55	232	312
Cash at end of year	\$ 65,299	55	232

## (26) Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for 2003, 2002 and 2001 (in thousands, except per share data):

		2003	2002	2001
Net income	(A)	<u>\$38,118</u>	<u>27,875</u>	<u>18,439</u>
Average common shares outstanding	(B)	<u>18,032</u>	<u>16,334</u>	<u>13,734</u>
Effect of dilutive common shares		<u>1,187</u>	<u>1,111</u>	<u>811</u>
Weighted average common shares and effect of dilutive common shares	(C)	<u>19,219</u>	<u>17,445</u>	<u>14,545</u>
Net income per common share - Basic	(A/B)	<u>\$ 2.11</u>	<u>1.71</u>	<u>1.34</u>
Net income per common share - Diluted	(A/C)	<u>\$ 1.98</u>	<u>1.60</u>	<u>1.27</u>

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, 2003 and 2002 (in thousands, except per share data):

	2003 Quarters				2002 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
Interest income	<u>\$47,239</u>	<u>49,265</u>	<u>52,473</u>	<u>55,014</u>	41,971	44,538	47,545	48,179
Interest expense	<u>20,635</u>	<u>20,937</u>	<u>20,581</u>	<u>21,345</u>	19,803	20,121	22,130	22,051
Net interest income	<u>26,604</u>	<u>28,328</u>	<u>31,892</u>	<u>33,669</u>	22,168	24,417	25,415	26,128
Provision for loan losses	<u>2,641</u>	<u>2,852</u>	<u>2,909</u>	<u>2,597</u>	2,348	2,483	2,504	2,986
Net interest income after provision for loan losses	<u>23,963</u>	<u>25,476</u>	<u>28,983</u>	<u>31,072</u>	19,820	21,934	22,911	23,142
Non-interest income, excluding net securities gains (losses)	<u>17,357</u>	<u>18,885</u>	<u>18,412</u>	<u>17,296</u>	12,967	13,709	15,761	18,128
Net securities gains (losses)	<u>386</u>	<u>220</u>	<u>31</u>	<u>5</u>	(215)	62	196	64
Non-interest expense	<u>28,911</u>	<u>30,509</u>	<u>31,839</u>	<u>31,482</u>	22,679	25,906	27,944	29,455
Income before income taxes	<u>12,795</u>	<u>14,072</u>	<u>15,587</u>	<u>16,891</u>	9,893	9,799	10,924	11,879
Income tax expense	<u>4,532</u>	<u>5,053</u>	<u>5,680</u>	<u>5,962</u>	3,531	3,492	3,640	3,957
Net income	<u>\$ 8,263</u>	<u>9,019</u>	<u>9,907</u>	<u>10,929</u>	6,362	6,307	7,284	7,922
Net income per common share:								
Basic	<u>\$ 0.48</u>	<u>0.52</u>	<u>0.56</u>	<u>0.55</u>	0.42	0.40	0.43	0.46
Diluted	<u>\$ 0.45</u>	<u>0.49</u>	<u>0.53</u>	<u>0.52</u>	0.40	0.37	0.40	0.43
Cash dividends declared per common share	<u>\$ 0.08</u>	<u>—</u>	<u>0.08</u>	<u>—</u>	0.06	—	0.06	—

*Report of Independent Auditors*

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, 2003 and 2002, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, 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  
February 13, 2004

2003 ANNUAL REPORT

61

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## 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, 2003. 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 are shown in the following table (dollars in thousands, except per share data):

	Years Ended December 31,		% or basis point (bp)change
	2003	2002	
Net income	\$ 38,118	\$ 27,875	37%
Net income per diluted common share	\$ 1.98	\$ 1.60	24%
Net revenues	\$ 193,084	\$ 158,800	22%
Net interest income	\$ 120,492	\$ 98,128	23%
Net interest margin	3.20%	3.34%	(14) bp
Core net interest margin <sup>(1)</sup>	3.32%	3.51%	(19) bp
Net overhead ratio <sup>(2)</sup>	1.22%	1.41%	(19) bp
Efficiency ratio <sup>(3)</sup>	63.52%	66.41%	(289) bp
Return on average assets	0.93%	0.87%	6 bp
Return on average equity	14.36%	14.76%	(40) bp
At end of period:			
Total assets	\$ 4,747,398	\$ 3,721,555	28%
Total loans	\$ 3,297,794	\$ 2,556,086	29%
Total deposits	\$ 3,876,621	\$ 3,089,124	25%
Total equity	\$ 349,837	\$ 227,002	54%
Book value per common share	\$ 17.43	\$ 13.19	32%
Market price per common share	\$ 45.10	\$ 31.32	44%
Common shares outstanding	20,066,265	17,216,270	17%

(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.

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

Wintrust's net income increased 37% in 2003, after increasing 51% in 2002. On a per share basis, net income per diluted common share increased 24% in 2003 and 26% in 2002. The lower growth rates in the earnings per share in 2003 and 2002, as compared to net income, were due to the issuances of approximately 1.4 million shares of common stock in 2003 and an additional 1.4 million share of common stock in 2002 from additional stock offerings as well as the issuances of 1.0 million shares in 2003 in connection with the acquisitions of LFCM, Advantage Bank and Village Bank and 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.

### NON-GAAP FINANCIAL MEASURES/RATIOS

Certain non-GAAP performance measures and ratios are used by management to evaluate and measure the Company's performance. These

include taxable-equivalent net interest income (including its individual components), net interest margin (including its individual components), core net interest margin and the efficiency ratio. Management believes that these measures and ratios provide users of the Company's financial information a more accurate view of the performance of the interest-earning assets and interest-bearing liabilities and of the Company's operating efficiency for comparative purposes. Other financial holding companies may define or calculate these measures and ratios differently.

Management reviews yields on certain asset categories and the net interest margin of the Company, and its banking subsidiaries, on a fully taxable-equivalent basis ("FTE"). In this non-GAAP presentation, net interest income is adjusted to reflect tax-exempt interest income on an equivalent before-tax basis. This measure ensures comparability of net interest income arising from both taxable and tax-exempt sources. Net interest income on a taxable-equivalent basis is also used in the calculation of the Company's efficiency ratio. The efficiency ratio, which is calculated by dividing non-interest expense by total taxable-equivalent net revenue (less securities gains or losses), measures how much it costs to produce one dollar of revenue. Securities gains or losses are excluded

from this calculation to better match revenue from daily operations to operational expenses.

Management also evaluates the net interest margin excluding the interest expense associated with the Company's Long-term Debt - Trust Preferred Securities ("Core Net Interest Margin"). Because these instruments are utilized by the Company primarily as capital instruments, management finds it useful to view the net interest margin excluding this expense and deems it to be a more accurate view of the operational net interest margin of the Company.

The following table presents a reconciliation of the non-GAAP measures of taxable equivalent net interest income and net interest margin, core net interest margin and the efficiency ratio to the most directly comparable GAAP financial measures for the years ended December 31, 2003 and 2002 (dollars in thousands):

	Years Ended December 31,	
	2003	2002
<b>(A) Interest income (GAAP)</b>	<b>\$203,991</b>	182,233
Taxable-equivalent adjustment		
- Loans	474	685
- Liquidity management assets	236	209
- Other earning assets	67	—
Interest income FTE	<b>\$204,768</b>	183,127
<b>(B) Interest expense (GAAP)</b>	<b>83,499</b>	84,105
Net interest income - FTE	<b>\$121,269</b>	99,022
<b>(C) Net interest income (GAAP) (A minus B)</b>	<b>\$120,492</b>	98,128
Net interest income - FTE	<b>\$121,269</b>	99,022
Add: Interest expense on long-term debt - trust preferred securities	4,556	4,931
Core net interest income - FTE <sup>(1)</sup>	<b>\$125,825</b>	103,953
<b>(D) Net interest margin (GAAP)</b>	<b>3.18%</b>	3.31%
Net interest margin - FTE	<b>3.20%</b>	3.34%
Core net interest margin - FTE <sup>(1)</sup>	<b>3.32%</b>	3.51%
<b>(E) Efficiency ratio (GAAP)</b>	<b>63.78%</b>	66.79%
Efficiency ratio - FTE	<b>63.52%</b>	66.41%

(1) Core net interest income and core net interest margin are by definition a non-GAAP measure/ratio. The GAAP equivalents are the net interest income and net interest margin determined in accordance with GAAP (lines C and D in the table).

## 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 views critical accounting policies to be those which are highly dependent on subjective or complex judgments, estimates and assumptions, and where changes in those estimates and assumptions could have a significant impact on the financial statements. Management currently views the determination of the allowance for loan losses, the valuation of the retained interest in the premium finance receivables sold and the valuations

required for impairment testing of goodwill 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.

### *Allowance for Loan Losses*

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.

### *Sales of Premium Finance Receivables*

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.

### *Impairment Testing of Goodwill*

As required by SFAS 142, the Company performs annual impairment testing of goodwill. Valuations are estimated in good faith by management primarily through the use of internal cash flow models using financial projections in the reporting unit's business plan.

## **OVERVIEW AND STRATEGY**

Wintrust is a financial holding company, providing traditional community banking services as well as a full array of wealth management services. 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 brokerdealer 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 Formations, Branch Openings and Acquisitions

The Company has developed its community banking franchise through the formation of seven *de novo* banks, the opening of branch offices of the Banks and acquisitions. As of December 31, 2003, the Company had nine bank subsidiaries with 36 banking facilities. Construction of several other offices is currently underway. The following table illustrates the progression of the Company's banking franchise since inception through December 31, 2003. New bank subsidiaries are noted in bold.

Month	Year	Bank	Location	Type of Facility
<b>December</b>	<b>2003</b>	<b>Village Bank</b>	<b>Arlington Heights, Illinois</b> <sup>(12)</sup>	<b>Bank</b>
December	2003	Village Bank	Prospect Heights, Illinois <sup>(11)</sup>	Branch
<b>October</b>	<b>2003</b>	<b>Advantage Bank</b>	<b>Elk Grove Village, Illinois</b> <sup>(10)</sup>	<b>Bank</b>
October	2003	Advantage Bank	Roselle, Illinois <sup>(10)</sup>	Branch
January	2003	Crystal Lake Bank	Cary, Illinois <sup>(9)</sup>	Branch
June	2002	Lake Forest Bank	Highland Park, Illinois <sup>(8)</sup>	Branch
January	2002	Hinsdale Bank	Riverside, Illinois <sup>(7)</sup>	Branch
September	2001	Barrington Bank	Hoffman Estates <sup>(6)</sup>	Branch
February	2001	Crystal Lake Bank	McHenry, Illinois <sup>(5)</sup>	Branch
<b>November</b>	<b>2000</b>	<b>Northbrook Bank</b>	<b>Northbrook, Illinois</b>	<b>Bank</b>
July	2000	Libertyville Bank	Wauconda, Illinois <sup>(4)</sup>	Branch
May	2000	Libertyville Bank	Wauconda, Illinois <sup>(4)</sup>	Drive-up
February	2000	Lake Forest Bank	Highwood, Illinois <sup>(3)</sup>	Branch
October	1999	North Shore Bank	Skokie, Illinois	Branch
September	1999	Crystal Lake Bank	Crystal Lake, Illinois	Branch
March	1999	Crystal Lake Bank	Crystal Lake, Illinois	Drive-up/walk-up
October	1998	Libertyville Bank	Libertyville, Illinois	Branch
May	1998	North Shore Bank	Glencoe, Illinois	Drive-up/walk-up
April	1998	North Shore Bank	Wilmette, Illinois	Walk-up
<b>December</b>	<b>1997</b>	<b>Crystal Lake Bank</b>	<b>Crystal Lake, Illinois</b>	<b>Bank</b>
November	1997	Hinsdale Bank	Western Springs, Illinois <sup>(2)</sup>	Branch
February	1997	Lake Forest Bank	Lake Forest, Illinois	Drive-up/walk-up
<b>December</b>	<b>1996</b>	<b>Barrington Bank</b>	<b>Barrington, Illinois</b>	<b>Bank</b>
August	1996	Hinsdale Bank	Clarendon Hills, Illinois <sup>(1)</sup>	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
<b>October</b>	<b>1995</b>	<b>Libertyville Bank</b>	<b>Libertyville, Illinois</b>	<b>Bank</b>
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
<b>September</b>	<b>1994</b>	<b>North Shore Bank</b>	<b>Wilmette, Illinois</b>	<b>Bank</b>
<b>October</b>	<b>1993</b>	<b>Hinsdale Bank</b>	<b>Hinsdale, Illinois</b>	<b>Bank</b>
April	1993	Lake Forest Bank	Lake Forest, Illinois	Drive-up/walk-up
<b>December</b>	<b>1991</b>	<b>Lake Forest Bank</b>	<b>Lake Forest, Illinois</b>	<b>Bank</b>

(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.

(10) *Purchased by Wintrust in October 2003; office opened January 2001.*

(11) *Purchased by Wintrust in December 2003; office opened May 1995.*

(12) *Purchased by Wintrust in December 2003; office opened December 2000.*

## 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.

In February 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. In February 2003, the Company completed its acquisition of Lake Forest Capital Management ("LFCM"), a registered investment advisor, which was merged into WHAMC.

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, 2003, WHI established branch locations in offices at Lake Forest Bank, Hinsdale Bank and Barrington 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 \$4.7 billion in client assets at December 31, 2003.

WHAMC, a registered investment advisor, is the investment advisory affiliate of WHI and is advisor to the Wayne Hummer family of mutual funds. 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, 2003 individual accounts managed by WHAMC totaled approximately \$796 million while the three managed mutual funds had approximately \$186 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.

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, 2003 were approximately \$578 million.

First Insurance Funding Corp. ("FIFC") is the Company's most significant specialized earning asset niche, originating approximately \$2.3 billion in loan (premium finance receivables) volume during 2003. 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 2003, FIFC sold approximately \$274 million, or 12%, 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, Inc. ("Tricom") as part of its continuing strategy to pursue specialized earning asset niches. Tricom is a Milwaukee-based company that has been in business since 1989 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. Tricom processed payrolls with associated client billings of approximately \$305 million in 2003 and \$245 million in 2002.

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 Hinsdale Bank, equipment leasing which is conducted at Lake Forest Bank, 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. In February 2003, the Company acquired LFCM to further augment its wealth management business, and in the fourth quarter of 2003, the Company purchased two banks, Advantage Bank and Village Bank. 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 nine banks with 36 offices at the end of 2003. FIFC has matured from its limited operations in 1991 to a company that generated, on a national basis, \$2.3 billion in premium finance receivables in 2003. In addition, WHTC has been building a team of experienced trust professionals who are located within the banking offices of five of the nine 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, 2003, totaled \$38.1 million, or \$1.98 per diluted common share, compared to \$27.9 million, or \$1.60 per diluted common share in 2002 and \$18.4 million, or \$1.27 per diluted common share, in 2001. During 2003, net income increased 37% while earnings per diluted common share increased 24% and during 2002, net income increased 51% while earnings per diluted common share increased 26%. The lower growth rates in the earnings per share in 2003 and 2002, as compared to net income, were due to the issuances of approximately 1.4 million shares of common stock in 2003 and an additional 1.4 million shares in 2002 from additional stock offerings as well as the issuances of 1.0 million shares in 2003 in connection with the acquisitions of LFCM, Advantage Bank and Village Bank and of 762,742 shares in February 2002 in connection with acquisition of the Wayne Hummer Companies. Return on average equity was 14.36% in 2003, 14.76% in 2002 and 15.24% in 2001.

## 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 2003 totaled \$121.3 million, up from \$99.0 million in 2002 and \$74.9 million in 2001, representing increases of \$22.2 million, or 23%, in 2003 and \$24.2 million, or 32%, in 2002. These increases were primarily attributable to increases in average earning assets, offset in part by lower yields and rates. The table presented later in this section, 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 2003 and 2002. Average earning assets increased \$819.3 million, or 28%, in 2003 and \$818.2 million, or 38%, in 2002. 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 \$605.2 million, or 26%, in 2003 and \$568.4 million, or 32%, in 2002. Total average loans as a percentage of total average earning assets were 78.2%, 79.4% and 83.2% in 2003, 2002, and 2001, respectively. The average yield on loans was 5.91% in 2003, 6.75% in 2002 and 8.39% in 2001, reflecting decreases of 84 basis points in 2003 and 164 basis points in 2002. These decreases reflect the competitive loan pricing pressures and 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 2.19% in 2003, 2.92% in 2002 and 4.55% in 2001, representing decreases of 73 basis points in 2003 and 163 basis points in 2002.

Net interest margin, which reflects net interest income as a percent of average earning assets, was 3.20% in 2003, 3.34% in 2002 and 3.49% in 2001. The continued lower level of average loans to total average earning assets was a large contributing factor in the net interest margin compression in 2003. Excess funds are invested in lower yielding liquidity management assets. The net interest margin compression in 2002 was 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. Since the end of 2001, the Federal Reserve Bank has cut short-term interest rates twice (50 bps in November 2002 and 25 bps in June 2003), continuing the historically low interest rate environment. Net interest margin compression has resulted as deposit rates can 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 3.32% in 2003, 3.51% in 2002 and 3.73% in 2001. Management evaluates the net interest margin excluding the interest expense associated with the Company's long-term debt - trust preferred securities. Because these instruments are utilized by the Company primarily as capital instruments, management finds it useful to view the net interest margin excluding this expense and deems it to be a more accurate view of the operational net interest margin of the Company. See Non-GAAP Financial Measures/Ratios section of this report.

## 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, 2003, 2002 and 2001. 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).

	Years Ended December 31,								
	2003			2002			2001		
	Average Balance <sup>(1)</sup>	Interest	Average Yield/Rate	Average Balance <sup>(1)</sup>	Interest	Average Yield/Rate	Average Balance <sup>(1)</sup>	Interest	Average Yield/Rate
<b>Assets</b>									
Interest bearing deposits with banks	\$ 5,885	\$ 127	2.16%	\$ 2,212	\$ 45	2.03%	\$ 385	\$ 10	2.60%
Securities	670,167	26,105	3.90	447,183	20,006	4.47	223,280	11,821	5.29
Federal funds sold and securities purchased under resale agreements	109,842	2,037	1.85	106,466	1,774	1.67	136,778	5,632	4.12
Total liquidity management assets <sup>(2) (8)</sup>	785,894	28,269	3.60	555,861	21,825	3.93	360,443	17,463	4.84
Other earning assets <sup>(2) (3)</sup>	38,418	1,547	4.03	54,327	2,303	4.24	—	—	—
Loans, net of unearned income <sup>(2) (4) (8)</sup>	2,960,188	174,952	5.91	2,355,020	158,999	6.75	1,786,596	149,850	8.39
Total earning assets <sup>(8)</sup>	3,784,500	204,768	5.41	2,965,208	183,127	6.18	2,147,039	167,313	7.79
Allowance for loan losses	(21,738)			(16,090)			(12,202)		
Cash and due from banks	81,022			58,479			49,536		
Other assets	272,834			204,870			143,659		
Total assets	\$4,116,618			\$3,212,467			\$2,328,032		
<b>Liabilities and Shareholders' Equity</b>									
Deposits - interest bearing:									
NOW accounts	\$ 641,536	\$ 4,534	0.71%	\$ 405,198	\$ 5,108	1.26%	\$ 205,306	\$ 4,790	2.33%
Savings and money market accounts	597,570	5,202	0.87	505,478	7,710	1.53	411,929	12,387	3.01
Time deposits	1,865,818	58,227	3.12	1,486,715	57,243	3.85	1,219,584	66,326	5.44
Total interest bearing deposits	3,104,924	67,963	2.19	2,397,391	70,061	2.92	1,836,819	83,503	4.55
Federal Home Loan Bank advances	141,196	5,932	4.20	119,041	4,954	4.16	21,945	942	4.29
Notes payable and other borrowings	92,175	2,562	2.78	127,244	3,854	3.03	53,649	2,845	5.30
Subordinated notes	41,849	2,486	5.94	4,384	305	6.86	—	—	—
Long-term debt - trust preferred securities	70,248	4,556	6.49	51,050	4,931	9.66	51,050	5,151	10.09
Total interest bearing liabilities	3,450,392	83,499	2.42	2,699,110	84,105	3.12	1,963,463	92,441	4.71
Non-interest bearing deposits	321,735			262,888			206,267		
Other liabilities	78,996			61,620			37,307		
Shareholders' equity	265,495			188,849			120,995		
Total liabilities and shareholders' equity	\$4,116,618			\$3,212,467			\$2,328,032		
Interest rate spread <sup>(5) (8)</sup>			2.99%			3.06%			3.08%
Net free funds/contribution <sup>(6)</sup>	\$ 334,108		0.21%	\$ 266,098		0.28%	\$ 183,576		0.41%
Net interest income/Net interest margin <sup>(8)</sup>		\$121,269	3.20%		\$ 99,022	3.34%		\$ 74,872	3.49%
Core net interest margin <sup>(7) (8)</sup>			3.32%			3.51%			3.73%

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

- (2) *Interest income on tax-advantaged loans, trading account securities and securities reflects a tax-equivalent adjustment based on a marginal federal corporate tax rate of 35%. The total adjustments reflected in the above table are \$777, \$894 and \$858 in 2003, 2002 and 2001, respectively.*
- (3) *Other earning assets include brokerage customer receivables and trading account securities.*
- (4) *Loans, net of unearned income, include mortgages held-for-sale and non-accrual loans.*
- (5) *Interest rate spread is the difference between the yield earned on earning assets and the rate paid on interest-bearing liabilities.*
- (6) *Net free funds are the difference between total average earning assets and total average interest-bearing liabilities. The estimated contribution to net interest margin from net free funds is calculated using the rate paid for total interest-bearing liabilities.*
- (7) *The core net interest margin excludes interest expense associated with Wintrust's Long-term Debt - Trust Preferred Securities.*
- (8) *See "Non-GAAP Financial Measures/Ratios" for additional information on this performance measure/ratio.*

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 2003 and 2002, 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):

	Years Ended December 31,					
	2003 Compared to 2002			2002 Compared to 2001		
	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	\$ 3	79	82	(2)	37	35
Securities	(2,818)	8,917	6,099	(2,076)	10,261	8,185
Federal funds sold and securities purchased under resale agreement	204	59	263	(2,810)	(1,048)	(3,858)
Total liquidity management assets	(2,611)	9,055	6,444	(4,888)	9,250	4,362
Other earning assets	(109)	(647)	(756)	—	2,303	2,303
Loans	(21,450)	37,403	15,953	(32,817)	41,966	9,149
Total interest income	(24,170)	45,811	21,641	(37,705)	53,519	15,814
<b>Interest expense:</b>						
Deposits - interest bearing:						
NOW accounts	(2,795)	2,221	(574)	(2,884)	3,202	318
Savings and money market accounts	(3,744)	1,236	(2,508)	(7,052)	2,375	(4,677)
Time deposits	(12,029)	13,013	984	(21,806)	12,723	(9,083)
Total interest expense - deposits	(18,568)	16,470	(2,098)	(31,742)	18,300	(13,442)
Federal Home Loan Bank advances	48	930	978	(30)	4,042	4,012
Notes payable and other borrowings	(298)	(994)	(1,292)	(1,616)	2,625	1,009
Subordinated notes	(51)	2,232	2,181	—	305	305
Long-term debt - trust preferred securities	(1,903)	1,528	(375)	(220)	—	(220)
Total interest expense	(20,772)	20,166	(606)	(33,608)	25,272	(8,336)
<b>Net interest income</b>	<b>\$ (3,398)</b>	<b>25,645</b>	<b>22,247</b>	<b>(4,097)</b>	<b>28,247</b>	<b>24,150</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 \$11.0 million in 2003, \$10.3 million in 2002 and \$7.9 million in 2001. Net charge-offs totaled \$5.5 million in 2003, \$5.6 million in 2002 and \$4.6 million in 2001. The allowance for loan losses as a percentage of loans at December 31, 2003, 2002 and 2001, was 0.77%, 0.72% and 0.68%, respectively. Non-performing loans were \$23.7 million and \$12.5 million at December 31, 2003 and 2002, 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 \$72.6 million in 2003, and increased \$11.9 million, or 20%, from the \$60.7 million reported in 2002. In 2002, non-interest income increased \$31.9 million, or 111%, from the \$28.8 million reported in 2001. The higher level of non-interest income in 2003 was comprised of increases in all major categories of non-interest income. The increase in non-interest income in 2002 was due primarily to the increase in wealth management fees 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 2003, 2002 and 2001 (in thousands).

	Years ended December 31,			2003 compared to 2002		2002 compared to 2001	
	2003	2002	2001	\$ Change	% Change	\$ Change	% Change
Brokerage	\$21,317	18,873	—	\$ 2,444	12.9%	\$18,873	N/M%
Trust and asset management	7,554	6,356	1,996	1,198	18.8	4,360	218.4
Total wealth management fees	28,871	25,229	1,996	3,642	14.4	23,233	1,164.0
Fees on mortgage loans sold	15,270	12,259	7,831	3,011	24.6	4,428	56.5
Service charges on deposit accounts	3,525	3,121	2,504	404	12.9	617	24.6
Gain on sales of premium finance receivables	4,911	3,374	4,564	1,537	45.6	(1,190)	(26.1)
Administrative services revenue	4,151	3,501	4,084	650	18.6	(583)	(14.3)
Fees from covered call options	7,873	5,959	4,344	1,914	32.1	1,615	37.2
Net gain on sales of available-for-sale securities	642	107	337	535	500.0	(230)	(68.2)
Other:							
Bank Owned Life Insurance	1,952	803	—	1,149	143.1	803	N/M
Partial recovery of premium finance defalcation	500	1,250	—	(750)	(60.0)	1,250	N/M
Miscellaneous	4,897	5,069	3,138	(172)	(3.4)	1,931	61.5
Total other	7,349	7,122	3,138	227	3.2	3,984	127.0
Total non-interest income	\$72,592	60,672	28,798	\$11,920	19.6%	\$31,874	110.7%

*N/M - not meaningful*

Wealth management fees are comprised of the trust and asset management revenue of Wayne Hummer Trust Company ("WHTC"), the asset management fees generated by Wayne Hummer Asset Management Company ("WHAMC") and the brokerage income generated by Wayne Hummer Investments ("WHI") and Focused Investments ("FI"). Trust and asset management fees represent WHTC's trust fees which include fees earned on assets under management, custody fees and other trust related fees and WHAMC's fees for advisory services to individuals and institutions, municipal and tax-exempt organizations, including the management of the Wayne Hummer Mutual Funds. The brokerage income generated by WHI and FI includes brokerage commissions, trading commissions and insurance product commissions.

Brokerage income totaled \$21.3 million in 2003, an increase of \$2.4 million, or 13%, compared to 2002. The increase is attributable to higher trading volumes resulting from rebounding equity markets in 2003. In addition, WHI was acquired by the Company February 2002 and is only included in the Company's 2002 results for eleven months.

Trust and asset management fees totaled \$7.6 million in 2003 and \$6.4 million in 2002, reflecting an increase of \$1.2 million, or 19%. LFCM, which was acquired by the Company in February 2003 and merged into WHAMC, contributed \$1.4 million in asset management fees in 2003. In addition, in 2003 the Company continued its efforts to migrate funds from the Wayne Hummer Money Market Fund managed by WHAMC to insured deposits at the Banks and ultimately liquidated this proprietary fund in December 2003. Fees generated by WHAMC from the management of this fund totaled \$495,000 in 2003, a decrease of \$887,000 compared to the \$1.4 million generated in 2002. Trust and asset management fees increased \$4.4 million, or 218%, in 2002 compared to 2001. The acquisition of WHAMC in February 2002 was the primary cause of the increase in trust and asset management fees in 2002 compared to 2001.

Wealth management fees are significantly correlated to equity market values and economic conditions. Valuations of the equity securities under management affect the fees earned thereon and 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. Trust assets and assets under management totaled \$1.6 billion and \$1.2 billion at December 31, 2003 and 2002, respectively, and brokerage assets in custody totaled \$4.7 billion and \$3.8 billion at December 31, 2003 and 2002, respectively.

Fees on mortgage loans sold include income from originating and selling residential real estate loans into the secondary market. These fees totaled \$15.3 million in 2003, \$12.3 million in 2002 and \$7.8 million in 2001, reflecting increases of \$3.0 million, or 25%, in 2003, and \$4.4 million, or 57%, in 2002. The revenue growth in fees on mortgage loans sold during these years reflects a strong mortgage origination and refinance market driven by the historically low interest rate environment. The rates on mortgage loans originated and sold into the secondary market rose in the fourth quarter of 2003 causing the long-running refinance boom to slow dramatically. Although these fees are a continuous source of revenue, management anticipates that the levels of refinancing activity will taper off in 2004, barring any further reductions in mortgage interest rates, which would result in a significantly lower level of fees from this revenue source.

Service charges on deposit accounts totaled \$3.5 million in 2003, \$3.1 million in 2002 and \$2.5 million in 2001. These increases of 13% in 2003 and 25% in 2002, were due mainly to increases in total deposits of 25% in 2003 and 33% in 2002. 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, FIFC sold premium finance receivables to an unrelated third party in each of the last three years and recognized gains totaling \$4.9 million in 2003, \$3.4 million in 2002 and \$4.6 million in 2001, related to this activity. Loans sold totaled \$274 million in 2003, \$311 million in 2002 and \$245 million in 2001, representing 12% of FIFC's total originations in 2003 and approximately 20% of FIFC's total originations in 2002 and 2001.

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, recorded in accordance with SFAS 140, 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 changes to the recourse obligation. The Company monitors the performance of these loans on a "static pool" basis and adjusts the assumptions in its cash flow model when warranted. 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 2003, the Company capitalized \$2.3 million and amortized \$2.6 million in servicing assets related to sales of these loans. As of December 31, 2003, the Company's retained interest in the loans sold included a servicing asset of \$908,000, an interest only strip of \$1.7 million and a liability for its recourse obligation of \$421,000. There was no valuation allowance for impairment of the retained interests at December 31, 2003.

Recognized gains as a percent of the FIFC loans sold during the year were 1.8% in 2003, 1.1% in 2002 and 1.9% in 2001. 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. This spread ranged from 4.44% to 4.82% in 2003, compared to 3.97% to 5.61% in 2002 and 5.30% to 6.38% in 2001. The higher amount of gain recognized in 2003 compared to 2002, despite a lower volume of loans sold during 2003 and lower interest spreads, was due to adjustments from clean-up calls during the periods and lower estimated credit losses. The Company typically makes a clean up call by repurchasing the remaining loans in the pools sold after approximately ten 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 interests is recorded as an adjustment to the gain on sale of premium finance receivables. During 2003 clean-up calls resulted in increased gains of approximately \$587,000 (primarily from the reversal of the remaining balance of recourse obligations on repurchased loans) while clean-up calls during 2002 resulted in charges of approximately \$908,000. The Company continuously monitors the performance of the loan pools to the projections and adjusts the assumptions in its cash flow model when warranted. During 2003 credit losses were estimated at a range of 0.40% to 0.50% of the estimated average balances, compared to 0.75% in 2002, and a range of 0.25% - 0.50% in 2001. The decrease in the percentage of estimated credit losses during 2003 was a result of a lower level of charge-offs in 2003 compared to 2002 in FIFC's overall premium finance receivables portfolio. The increase in the percentage of estimated credit losses in 2002 compared to 2001 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 gains are also influenced by a reduction in the number of months these loans are estimated to be outstanding. The estimated average terms of the loans were eight months in 2003 and 2002 and a range of eight to nine months in 2001. The reduction in 2001 was due to trends of early pay-downs as the economy weakened, insurance rates escalated and borrowers cancelled their existing insurance in favor of more cost-effective alternatives. The applicable discount rate used in determining gains related to this activity was the same in 2003, 2002 and 2001.

At December 31, 2003 and 2002, premium finance loans sold and serviced for others for which the Company retains a recourse obligation related to credit losses totaled approximately \$113.4 million and \$141.1 million, respectively. The remaining estimated recourse obligation carried in other liabilities was approximately \$421,000 and \$807,000, at December 31, 2003 and 2002, respectively. 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 premium finance receivables sold and serviced for others totaled \$165,000 in 2003 and \$34,000 in 2002. At December 31, 2003, non-performing loans related to this sold portfolio were approximately \$1.3 million, or 1.12% of the sold loans, compared to \$1.5 million, or 1.04%, of the sold loans at December 31, 2002. The premium finance portfolio owned by the Company had a ratio of non-performing loans to total loans of 1.26% at December 31, 2003 and 1.50% at December 31, 2002. The Company anticipates that premium finance receivables sold will typically have lower credit losses than the loans retained in its portfolio because 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 \$4.2 million in 2003, \$3.5 million in 2002 and \$4.1 million in 2001. 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 increase in 2003 is primarily attributable to the acquisition of a competitor's customer base in early 2003 offset somewhat by lower rates due to competitive pressures in the industry. The revenue decline in 2002 was due to the general slowdown in the United States economy and the reduction in the placement of temporary staffing individuals by Tricom's customers.

Premium income from covered call option transactions totaled \$7.9 million in 2003, \$6.0 million in 2002 and \$4.3 million in 2001. The significant increases in the fees from covered call options in 2003 and 2002 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. During 2003, call option contracts were written against \$2.0 billion of underlying securities, compared to \$1.8 billion in 2002 and \$974 million in 2001. The same security may be included in these totals more than once to the extent that multiple call option contracts were written

against it if the initial call option contract was not exercised. The Company routinely 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. Management enters into these transactions with the goal of enhancing its overall return on its investment portfolio by using the covered call options to compensate for net interest margin compression. These covered 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, 2003 or December 31, 2002.

Bank Owned Life Insurance (“BOLI”) generated income of \$2.0 million in 2003 and \$803,000 in 2002. 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. Adjustments to cash surrender value of the BOLI policies are recorded as non-interest income.

During 2003 and 2002, FIFC received \$500,000 and \$1.25 million, respectively, from partial settlements related to the premium finance defalcation that occurred and was recognized in 2000. Management does not anticipate additional settlements in the future.

Miscellaneous other non-interest income includes loan servicing fees, service charges, rental income from equipment leases and miscellaneous other income.

### Non-interest Expense

Non-interest expense totaled \$122.7 million in 2003, and increased \$16.8 million, or 16%, compared to 2002. The 2003 acquisitions of LFCM, Advantage Bank and Village Bank contributed \$2.8 million of this increase. In 2002, non-interest expense totaled \$106.0 million and increased \$40.2 million, or 61%, compared to 2001. The Wayne Hummer Companies, acquired in February 2002, contributed \$26.7 million to the 2002 increase in total non-interest expense. In addition to the increases resulting from acquisitions, increases in non-interest expense 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 2003, total loans and total deposits increased 29% and 25%, respectively, and during 2002, total loans and total deposits increased 27% and 33%, respectively. 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. In addition to the acquisitions of LFCM, Advantage Bank and Village Bank, during 2003, the Company opened one new banking office and moved two offices into newly constructed permanent facilities. During 2002, the Company opened two additional banking offices and relocated two banking offices to newly constructed permanent offices.

The following table presents non-interest expense by category for 2003, 2002 and 2001 (in thousands).

	Years ended December 31,			2003 compared to 2002		2002 compared to 2001	
	2003	2002	2001	\$ Change	% Change	\$ Change	% Change
Salaries and employee benefits	\$ 74,775	63,442	35,628	\$ 11,333	17.9%	\$ 27,814	78.1%
Equipment expense	7,957	7,191	6,297	766	10.7	894	14.2
Occupancy, net	7,436	6,691	4,821	745	11.1	1,870	38.8
Data processing	4,304	4,161	3,393	143	3.4	768	22.6
Advertising and marketing	2,215	2,302	1,604	(87)	(3.8)	698	43.5
Professional fees	3,342	2,801	2,055	541	19.3	746	36.3
Amortization of goodwill	—	—	616	—	—	(616)	100.0
Amortization of other intangible assets	640	324	69	316	97.5	255	369.6
Other:							
Commissions - 3rd party brokers	3,008	2,259	—	749	33.2	2,259	N/M
Loan expense	2,465	2,443	2,286	22	0.9	157	6.9
Postage	2,369	2,106	1,707	263	12.5	399	23.4
Stationery and supplies	1,762	2,110	1,413	(348)	(16.5)	697	49.3
Miscellaneous	12,468	10,154	5,894	2,314	22.8	4,260	72.3
Total other	22,072	19,072	11,300	3,000	15.7	7,772	68.8
Total non-interest expense	\$122,741	105,984	65,783	\$16,757	15.8%	\$40,201	61.1%

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 1.22% in 2003, from 1.41% in 2002 and 1.59% in 2001. 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 61% of the total in 2003, 60% of the total in 2002 and 54% in 2001. For the year ended December 31, 2003, salaries and employee benefits totaled \$74.8 million, and increased \$11.3 million, or 18%, compared to 2002. LFCM, Advantage Bank and Village Bank contributed \$1.5 million of this increase. 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 to the increase in 2002. Commissions paid to mortgage originators totaled \$5.2 million in 2003, \$4.5 million in 2002 and \$2.6 million in 2001. The increases in commissions paid to mortgage originators in 2003 and 2002 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 2003 and 2002.

Equipment expense, which includes furniture, equipment and computer software depreciation and repairs and maintenance costs, totaled \$8.0 million in 2003, \$7.2 million in 2002 and \$6.3 million in 2001, reflecting increases of 11% in 2003 and 14% in 2002. 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 2003, 2002 and 2001 were \$7.4 million, \$6.7 million and \$4.8 million, respectively, reflecting increases of 11% in 2003 and 39% in 2002. 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 2003 and 2002 reflect the increases in the number of facilities operated as well as market increases in operating such facilities.

Data processing expenses totaled \$4.3 million in 2003, \$4.2 million in 2002 and \$3.4 million in 2001, representing increases of 3% in 2003 and 23% in 2002. The slight increase in 2003 was due primarily to the additional transactional charges related to the 25% increase in deposits and 29% increase in loans during the year. 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 outsourced in previous years.

Advertising and marketing expenses totaled \$2.2 million for 2003, \$2.3 million for 2002 and \$1.6 million for 2001. Marketing costs are necessary to attract loans and deposits at the newly chartered banks, to announce new branch openings, to assist in 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 \$3.3 million in 2003, \$2.8 million in 2002 and \$2.1 million in 2001. The increases are attributable to the general growth in the Company's total assets and fee-based businesses and compliance with the Sarbanes-Oxley Act and the Gramm-Leach Bliley Act.

In accordance with SFAS 142, the Company discontinued the amortization of goodwill effective January 1, 2002. Amortization of other intangible assets relates to the Company's finite lived intangible assets. The increase in 2003 of \$316,000, or 98%, is a result of the amortization of other intangible assets recognized in the acquisitions of LFCM, Advantage Bank and Village Bank during 2003. See Note 8 to the Consolidated Financial Statements for further discussion of goodwill and intangible assets.

Commissions paid to 3rd party brokers represent the commissions paid by Focused Investments to a network of unaffiliated banks for brokerage revenue generated

through those banks. The increase in 2003 reflects the higher level of revenue generated through that network of unaffiliated banks.

Loan expenses totaled \$2.5 million in 2003, \$2.4 million in 2002 and \$2.3 million in 2001. This category includes costs for such items as appraisal fees, attorney fees, and other unreimbursed expenses related to the administration and collection of loans.

Postage expense for 2003, 2002 and 2001 totaled \$2.4 million, \$2.1 million and \$1.7 million, reflecting increases of 13% in 2003 and 23% in 2002. These increases reflect the increased volume of loans and deposits as well as an increase in postage rates in 2002.

Stationery and supplies totaled \$1.8 million in 2003, \$2.1 million in 2002 and \$1.4 million in 2001, reflecting a decrease of \$348,000, or 17%, in 2003 and an increase of \$697,000, or 49%, in 2002. The higher level in 2002 was attributable to the Wayne Hummer Companies as well as the name change at the Company's trust subsidiary.

Other non-interest expenses include correspondent bank service charges, insurance, telephone, directors' fees, and other sundry expenses. This category increased \$2.3 million, or 23%, in 2003 and \$4.3 million, or 72%, in 2002. The Wayne Hummer Companies accounted for \$3.1 million of the increase in 2002.

### **Income Taxes**

The Company recorded income tax expense of \$21.2 million in 2003, \$14.6 million in 2002 and \$10.4 million in 2001. The effective tax rates were 35.8%, 34.4% and 35.8% in 2003, 2002 and 2001, respectively. 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, 2003 totaled \$108.3 million as compared to \$89.3 million for the same period in 2002, an increase of \$19.0 million, or 21%. The increase in net interest income for 2002 when compared to the total of \$69.9 million in 2001 was \$19.3 million, or 28%. These increases were primarily the result of continued growth in the loan portfolio. Total loans increased 29% in 2003 and 27% in 2002. The banking segment's non-interest income totaled \$33.4 million in 2003, an increase of \$7.5 million, or 29%, when compared to the 2002 total of \$25.9 million. This increase was primarily due to an increase of \$3.0 million in fees on mortgage loans sold, reflecting heavy origination volumes driven by the low interest rate environment in the first three quarters of 2003 and a strong local housing market, a \$1.9 million increase in fees from covered call option transactions which were entered into to enhance the overall return on the investment portfolio, a \$1.1 million increase in the cash surrender value of BOLI, a \$404,000 increase in service charges on deposits and a \$535,000 increase in net securities gains. In 2002, non-interest income for the banking segment increased \$7.3 million, or 40%, compared to the prior year amount of \$18.5 million. This increase was primarily due to an increase of \$4.4 million in fees on mortgage loans sold, a \$1.6 million increase in fees from covered call option transactions and a \$617,000 increase in service charges on deposits. The banking segment's net income for the year ended December 31, 2003 totaled \$37.6 million, an increase of \$8.9 million, or 31%, as compared to the 2002 total of \$28.7 million. The total segment profit in 2002 increased \$7.9 million, or 38%, over the \$20.8 million that was recorded in 2001.

Net interest income for the premium finance segment totaled \$44.5 million for the year ended December 31, 2003 and increased \$10.5 million, or 31%, over the \$34.0 million in 2002. During 2003, this segment benefited from higher levels of premium finance receivables and lower funding costs compared to 2002. In 2002, net interest income for the premium finance segment increased \$7.1 million, or 26%, over the 2001 total of \$26.9 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 \$5.4 million, \$4.6 million and \$4.5 million for the years ended December 31, 2003, 2002 and 2001, 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 also includes \$500,000 in 2003 and \$1.25 mil-

lion in 2002 from partial settlements on a fraud loss recognized in 2000. Net after-tax profit of the premium finance segment totaled \$21.6 million, \$14.9 million and \$10.6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Net interest income for the indirect auto segment totaled \$7.0 million in 2003, compared to the \$8.0 million reported for 2002. The decrease in net interest income was due primarily to a \$14.0 million, or 8%, decline in the average outstanding balance of indirect auto loans in 2003. Net interest income increased \$1.2 million in 2002 compared to 2001, due primarily to lower variable rate funding costs. The current economic and competitive environment surrounding indirect auto lending has caused management to not pursue growth in this segment and to anticipate that this portfolio will continue to comprise a smaller portion of the total loan portfolio in the future. Indirect automobile loans were \$174 million, \$178 million, \$184 million at December 31, 2003, 2002 and 2001, respectively. The indirect auto segment after-tax profit totaled \$2.4 million for the year ended December 31, 2003, a decrease of \$663,000, from the 2002 total of \$3.0 million. This segment's profitability in 2003 was negatively affected by a lower level of outstanding balances. The credit loss provision allocated to this portfolio remained consistent with 2002 as net charge-offs and non-performing loans in this segment remained well below historical levels experienced in indirect auto lending. (See the "Credit Risk and Asset Quality" section of this report.) In 2002, the after-tax segment profit increased \$819,000, or 37%, from the 2001 total of \$2.2 million due to the increase in net interest income noted above as well as a \$142,000 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 \$3.6 million in 2003, reflecting a decrease of \$599,000, or 14%, compared to the \$4.2 million reported for 2002. Net interest income increased \$310,000, or 8%, in 2002 compared to 2001. The decrease in net interest income in 2003 is attributable to lower fee yields charged on the short-term accounts receivable financing due to competitive pressures in the industry. The increase in net interest income in 2002 compared to 2001 was attributable to lower variable rate funding costs. Non-interest income for 2003 was \$4.2 million, increasing \$664,000, or 19%, from the \$3.5 million reported in 2002. This increase was due primarily to the acquisition of a competitor's customer base in early January 2003. In 2002, non-interest income for the Tricom segment decreased \$583,000, or 14%, compared to the prior year amount of \$4.1 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. Management has seen an improvement in these trends in recent quarters. The segment's net income was \$1.6 million in 2003 and 2002. The \$324,000 increase in the segment's net income in 2002 compared to 2001 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 8 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.

The wealth management segment reported net interest income of \$6.9 million for 2003 compared to \$4.1 million for 2002 and \$755,000 for 2001. The increase in net interest income reported in 2003 is due to the net interest income allocated to the segment from a higher level of non-interest bearing and interest-bearing account balances on deposit at the Banks offset by a lower level of interest-bearing brokerage customer receivables at WHI. The migration of funds from the money market mutual fund balances managed by WHAMC into insured deposit accounts of the Banks helped increase the contribution in net interest income in 2003 and 2002. As of December 31, 2003, approximately \$338.5 million had migrated into insured bank deposits at the Banks. During December 2003, the money market mutual fund managed by WHAMC was wound down and terminated. Additional funds deposited at the Banks in future periods in the insured bank deposits would be generated through wholesale arrangements or internal growth of the existing balances on deposit. This segment recorded non-interest income of \$29.8 million for 2003 as compared to \$26.2 million for 2002 and \$2.0 million in 2001. The increase in 2002 as compared to 2001 is attributable to the revenues from the acquisition of 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 net income totaled \$320,000 for 2003, compared to an after-tax loss of \$330,000 for 2002 and an after-tax loss of \$413,000 for 2001. All revenue components of this segment were negatively impacted by market conditions during early 2003 and all of 2002 and 2001. Lower transaction volumes and reduced market values impacted fees and commissions on transaction based business, trust fees, and asset management fees. The addition of LFCM (acquired in February 2003) continues the Company's commitment to this segment.

## ANALYSIS OF FINANCIAL CONDITION

The Company's total assets were \$4.75 billion at December 31, 2003, an increase of \$1.03 billion, or 28%, when compared to the \$3.72 billion at December 31, 2002. Total assets increased \$1.02 billion, or 38%, in 2002 over the \$2.71 billion at December 31, 2001. The increases in loans of \$741.7 million in 2003, and \$537.6 million in 2002, 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 assets and the relative percentage of each category to total average earning assets for the periods presented (dollars in thousands):

	Years Ended December 31,					
	2003		2002		2001	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Loans:						
Commercial and commercial real estate	\$1,431,232	38%	\$1,127,044	38%	\$ 787,041	37%
Home equity	416,889	11	318,656	11	211,563	10
Residential real estate <sup>(1)</sup>	230,309	6	185,407	6	148,411	7
Premium finance receivables	634,000	17	458,767	15	357,181	16
Indirect auto loans	169,893	4	183,963	6	190,982	9
Tricom finance receivables	24,434	1	19,791	1	18,670	1
Consumer and other loans	53,431	1	61,392	2	72,748	3
Total loans, net of unearned income	2,960,188	78	2,355,020	79	1,786,596	83
Liquidity management assets <sup>(2)</sup>	785,894	21	555,861	19	360,443	17
Other earnings assets <sup>(3)</sup>	38,418	1	54,327	2	—	—
Total average earning assets	\$3,784,500	100%	\$2,965,208	100%	\$2,147,039	100%
Total average assets	\$4,116,618		\$3,212,467		\$2,328,032	
Total average earning assets to total average assets		92%		92%		92%

(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 \$819.3 million, or 28%, in 2003 and \$818.2 million, or 38%, in 2002. The ratio of average earning assets as a percent of total average assets remained consistent at approximately 92% in each of the last three years.

Loan growth continued to fuel the Company's earning asset growth in 2003. Total average loans increased \$605.2 million, or 26%, in 2003, and \$568.4 million, or 32%, in 2002. The increase in average loans was primarily funded by increases in deposits as the average loans to average deposits ratio remained relatively unchanged at 86.4% in 2003 and 88.5% in 2002. These loan-to-deposit ratios fall within management's desired range of 85% — 90%.

*Loans.* Average total loans, net of unearned income, totaled \$3.0 billion in 2003, \$2.4 billion in 2002 and \$1.8 billion in 2001. Significant and continued growth occurred during 2003 and 2002 in commercial and commercial real estate, home equity, residential mortgages, premium finance and Tricom receivables portfolios. Decreases in indirect auto loans during 2003 and 2002 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 \$1.4 billion in 2003, and increased \$304.2 million, or 27%, over the average balance in 2002. The average balance in 2002 increased \$340.0 million, or 43%, over the average balance in 2001. This category comprised 48% of the average loan portfolio in 2003 and 2002. 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 \$416.9 million in 2003, and increased \$98.2 million, or 31%, when compared to the average balance in 2002. 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 \$473.7 million at December 31, 2003, and \$385.3 million at December 31, 2002.

Residential real estate loans averaged \$230.3 million in 2003, and increased \$44.9 million, or 24%, over the average balance in 2002. 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 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 are originated 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 \$634.0 million in 2003, and accounted for 21% of the Company's average total loans. Average premium finance receivables increased \$175.2 million, or 38%, from the average balance of \$458.8 million in 2002. 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 2003, FIFC sold approximately \$274 million, or 12%, of the \$2.3 billion of receivables originated in 2003 to an unrelated third party. See Consolidated Results of Operations for further information on these loan sales. Total premium finance loan originations were \$2.3 billion, \$1.7 billion and \$1.3 billion in 2003, 2002 and 2001, respectively. These increases in origination volume are due in part to market increases in insurance premiums.

Indirect automobile loans are financed from a 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 2003, 2002 and 2001 average indirect auto loans totaled \$169.9 million, \$184.0 million and \$191.0 million, respectively.

Tricom finance receivables represent 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 generate additional fee income. Average Tricom finance receivables were \$24.4 million in 2003, \$19.8 million in 2002 and \$18.7 million in 2001. The general upturn in the United States economy has contributed to an increase in the placement of temporary staffing individuals by Tricom's customers and the higher level of Tricom finance receivables in 2003, compared with 2002 and 2001.

*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 liquidity management assets increased \$230.0 million in 2003 compared to 2002, and \$195.4 million in 2002 compared to 2001, as a result of increases in average deposits and other funding sources exceeding increases in average loans 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 \$38.4 million in 2003, a decrease of \$15.9 million, or 29%, compared to the average 2002 balance of \$54.3 million. 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 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 2003 and 2002, 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, strong marketing efforts and the acquisitions of Advantage Bank and Village Bank in the

fourth quarter of 2003. Total deposits at December 31, 2003, were \$3.9 billion, increasing \$787.5 million, or 25%, over the \$3.1 billion at December 31, 2002.

Average deposit balances in 2003 were \$3.4 billion, reflecting an increase of \$766.4 million, or 29%, compared to the average balances in 2002. During 2002, average deposits increased \$617.2 million, or 30%, 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):

	Years Ended December 31,					
	2003		2002		2001	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Non-interest bearing deposits	\$ 321,735	9%	\$ 262,888	10%	\$ 206,267	10%
NOW accounts	376,257	11	308,712	11	205,306	10
NOW — Brokerage customer deposits	265,279	8	96,486	4	—	—
Money market accounts	437,114	13	371,063	14	305,084	15
Savings accounts	160,456	5	134,415	5	106,845	5
Time certificate of deposits	1,865,818	54	1,486,715	56	1,219,584	60
<b>Total deposits</b>	<b>\$3,426,659</b>	<b>100%</b>	<b>\$2,660,279</b>	<b>100%</b>	<b>\$2,043,086</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 have generally been invested in loan production of the Banks as well as other investments suitable for banks. As of December 31, 2003, \$338.5 million had migrated into an insured bank deposit product (NOW accounts) at the various Banks. During December 2003, the money market mutual fund managed by WHAMC was liquidated. Excluding these brokerage customer deposits, average deposits increased \$597.6 million, or 23%, in 2003 and \$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):

	Years Ended December 31,					
	2003		2002		2001	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Lake Forest Bank	\$ 775,836	23%	\$ 642,514	24%	\$ 522,634	26%
Hinsdale Bank	560,793	16	467,597	17	375,400	18
North Shore Bank	653,598	19	531,141	20	436,581	21
Libertyville Bank	447,391	13	350,550	13	277,894	14
Barrington Bank	455,172	13	340,642	13	241,452	12
Crystal Lake Bank	308,664	9	202,886	8	139,793	7
Northbrook Bank	192,364	6	124,949	5	49,332	2
Advantage Bank <sup>(1)</sup>	25,988	1	—	—	—	—
Village Bank <sup>(1)</sup>	6,853	—	—	—	—	—
<b>Total deposits</b>	<b>\$3,426,659</b>	<b>100%</b>	<b>\$2,660,279</b>	<b>100%</b>	<b>\$2,043,086</b>	<b>100%</b>
Percentage increase from prior year		<b>29%</b>		<b>30%</b>		<b>26%</b>

(1) Represents effect on consolidated average deposits from effective acquisition dates of October 1, 2003 for Advantage Bank and December 5, 2003 for Village Bank. At December 31, 2003, Advantage Bank had total deposits of \$113.4 million and Village Bank had total deposits of \$85.1 million.



*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 2003, 2002 and 2001, is presented in the following table (dollars in thousands):

	Years Ended December 31,					
	2003		2002		2001	
	Average Balance	Percent of Total	Average Balance	Percent of Total	Average Balance	Percent of Total
Notes payable	\$ 31,397	9%	\$ 55,133	18%	\$ 29,529	24%
Federal Home Loan Bank advances	141,196	41	119,041	40	21,945	17
Subordinated notes	41,849	12	4,384	2	—	—
Short-term borrowings — Banks	41,368	12	34,693	11	24,120	19
Wayne Hummer Companies funding	15,339	5	33,103	11	—	—
Long-term debt — trust preferred securities	70,248	20	51,050	17	51,050	40
Other	4,071	1	4,315	1	—	—
<b>Total other funding sources</b>	<b>\$345,468</b>	<b>100%</b>	<b>\$301,719</b>	<b>100%</b>	<b>\$126,644</b>	<b>100%</b>

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, 2003 and 2002, the Company had \$26.0 million and \$44.0 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 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 \$144.0 million at December 31, 2003, and \$140.0 million at December 31, 2002. See Note 12 to the Consolidated Financial Statements for further discussion of the terms of these advances.

The Company borrowed \$25.0 million under a subordinated note agreement in 2002, and in 2003 borrowed an additional \$25.0 million under another subordinated note agreement. Each subordinated note requires annual principal payments of \$5.0 million beginning in the sixth year of the note with final maturity dates of 2012 and 2013. Both notes qualify as Tier II regulatory capital. See Note 13 to the Consolidated Financial Statements for further discussion of the terms of the notes.

Short-term borrowings — Banks include securities sold under repurchase agreements and federal funds purchased. These borrowings totaled \$65.3 million and \$26.6 million at December 31, 2003 and 2002, 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 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, 2003 and 2002, the Wayne Hummer Companies funding totaled \$9.0 million and \$15.1 million, respectively. See Note 14 to the Consolidated Financial Statements for further discussion of funding source.

The Company has \$96.8 million of long-term debt — trust preferred securities outstanding as of December 31, 2003. This balance is comprised of issuances of securities through four separate trusts. In October 1998, \$31.05 million of 9.00% trust preferred securities were

issued and in June 2000, \$20.0 million of 10.50% trust preferred securities were issued through public offerings. In April 2003, \$25.0 million of floating rate trust preferred securities were issued in connection with a trust preferred pool and in December 2003, an additional \$20.0 million of floating rate trust preferred securities were issued through a placement agreement to qualified institutional investors. The amounts reflected in the Company's balance sheet for the 1998 and 2000 issuances represent the trust preferred securities issued by the trusts, while the amounts reflected in the balance sheet for the two issuances in 2003 represent the debentures issued to the trusts by the Company and are equal to the preferred securities and common securities issued by the trusts. See Note 15 of the Consolidated Financial Statements for further discussion of the Company's long-term debt — trust preferred securities.

Trust Preferred Securities, subject to certain limitations, currently qualify as Tier 1 capital of the Company for regulatory purposes. As a result of recent accounting changes involving the deconsolidation of these trusts in the financial statements, the Federal Reserve is currently evaluating whether these securities will continue to qualify as Tier 1 capital. Interest expense on the Trust Preferred Securities is deductible for income tax purposes.

*Shareholders' Equity.* Total shareholders' equity was \$349.8 million at December 31, 2003, and \$227.0 million at December 31, 2002. The Company issued shares of common stock in 2003 and 2002 through additional public offerings. During 2003, the Company issued approximately 1.4 million shares of stock, at approximately \$35.80 per share, raising approximately \$46.1 million in equity, net of issuance costs. During 2002, the Company issued approximately 1.4 million shares, at approximately \$26.79 per share, raising approximately \$36.5 million of equity, net of issuance costs. During 2003, the Company issued 1.0 million shares of common stock, valued at \$38.7 million, in connection with the acquisitions of LFCM, Advantage Bank and Village Bank. In 2002, the Company also issued 762,742 shares of common stock, valued at \$15.0 million, 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. 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. The Company also entered into two interest rate swap contracts in the fourth quarter of 2002. A \$25 million notional principal amount swap was entered into to convert a \$25 million 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. As of December 31, 2003, neither the swap counterparty nor the Company exercised its call option. All of the Company's interest rate swap contracts qualify as perfect hedges pursuant to SFAS 133.

During 2003 and 2002, 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 to 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, 2003 or December 31, 2002.

The Company's exposure to interest rate risk is reviewed on a regular basis by management and the Risk Management Committees of 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 maximize 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). 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, 2003 (dollars in thousands):

	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	\$ 56,620	—	—	—	56,620
Interest-bearing deposits with banks	6,228	—	—	—	6,228
Available-for-sale securities	173,682	80,978	394,368	257,853	906,881
<b>Total liquidity management assets</b>	<b>236,530</b>	<b>80,978</b>	<b>394,368</b>	<b>257,853</b>	<b>969,729</b>
Loans, net of unearned income <sup>(1)</sup>	2,179,519	588,966	503,799	49,551	3,321,835
Other earning assets	37,581	—	—	—	37,581
<b>Total earning assets</b>	<b>2,453,630</b>	<b>669,944</b>	<b>898,167</b>	<b>307,404</b>	<b>4,329,145</b>
Other non-earning assets	—	—	—	418,253	418,253
<b>Total assets (RSA)</b>	<b>\$2,453,630</b>	<b>669,944</b>	<b>898,167</b>	<b>725,657</b>	<b>4,747,398</b>
<b>Liabilities and Shareholders' Equity:</b>					
Interest-bearing deposits <sup>(2)</sup>	\$1,840,986	906,284	768,108	577	3,515,955
Federal Home Loan Bank advances	—	15,000	69,026	60,000	144,026
Notes payable and other borrowings	104,069	—	—	—	104,069
Subordinated note	50,000	—	—	—	50,000
Long-term Debt — Trust Preferred Securities	46,393	—	—	50,418	96,811
<b>Total interest-bearing liabilities</b>	<b>2,041,448</b>	<b>921,284</b>	<b>837,134</b>	<b>110,995</b>	<b>3,910,861</b>
Demand deposits	—	—	—	360,666	360,666
Other liabilities	—	—	—	126,034	126,034
Shareholders' equity	—	—	—	349,837	349,837
<b>Effect of derivative financial instruments:</b>					
Interest rate swap (Company pays fixed, receives floating)	(25,000)	—	5,000	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>\$2,047,498</b>	<b>921,284</b>	<b>842,134</b>	<b>936,482</b>	<b>4,747,398</b>
Repricing gap (RSA — RSL)	\$ 406,132	(251,340)	56,033	(210,825)	
Cumulative repricing gap	\$ 406,132	154,792	210,825	—	
Cumulative RSA/Cumulative RSL	120%	105%	106%		
Cumulative RSA/Total assets	52%	66%	85%		
Cumulative RSL/Total assets	43%	63%	80%		
Cumulative GAP/Total assets	9%	3%	4%		
Cumulative GAP/Cumulative RSA	17%	5%	5%		

(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. 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. 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, 2003 and December 31, 2002, 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: <sup>(1)</sup>		
<b>December 31, 2003</b>	<b>5.9%</b>	<b>(27.7)%</b>
December 31, 2002	7.5%	(26.4)%

(1) Due to the low interest rate environment at December 31, 2003 and December 31, 2002, 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.

As the table shows, management has positioned the balance sheet so that the Company benefits from a rise in interest rates and believes this is a prudent position. Until a rise in rates occurs, the Company's business strategy provides a solid base to grow the deposit and loan portfolios. This growth in the balance sheet has helped fuel earnings growth despite the lower net interest margins. The Company also mitigates the net interest margin pressure by realizing fees from a strong residential real estate market and from covered call option transactions which in effect compensate for reduced levels of net interest income. Management actively monitors the relationships between growth, net interest income and other income to provide for earnings growth in a challenging interest rate environment.

## 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, 2003 and December 31, 2002.

	Minimum Ratios	Well Capitalized Ratios	Wintrust's Ratios at Year-end 2003	Wintrust's Ratios at Year-end 2002
Leverage Ratio	4.0%	5.0%	<b>8.9%</b>	7.0%
Tier 1 capital to risk-weighted assets	4.0%	6.0%	<b>10.2%</b>	8.0%
Total capital to risk-weighted assets	8.0%	10.0%	<b>12.1%</b>	9.4%
Total average equity-to-total average assets	N/A	N/A	<b>6.4%</b>	5.9%

As reflected in the table, each of the Company's capital ratios at December 31, 2003, exceeded the well-capitalized ratios established by the Federal Reserve. 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 Company's principal sources 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, beginning in 1998: (dollars in millions)

Date of offering	Type of offering	Proceeds received	% increase in total regulatory capital
October 1998	Trust preferred securities	\$ 31.1	78%
November 1999	Common stock	\$ 6.0	51%
June 2000	Trust preferred securities	\$ 22.0	67%
June 2001	Common stock	\$ 22.2	49%
June/July 2002	Common stock	\$ 36.5	38%
November 2002	Subordinated debt	25.0	26
Total for 2002		\$ 61.5	64%
<b>April 2003</b>	<b>Subordinated debt</b>	<b>\$ 25.0</b>	<b>14%</b>
<b>April 2003</b>	<b>Trust preferred securities</b>	<b>25.0</b>	<b>14</b>
<b>September 2003</b>	<b>Common stock</b>	<b>46.1</b>	<b>25</b>
<b>December 2003</b>	<b>Trust preferred securities</b>	<b>20.0</b>	<b>11</b>
<b>Total for 2003</b>		<b>\$116.1</b>	<b>64%</b>

As shown in the table above, proceeds from public offerings of Trust Preferred Securities and the Company's common stock have accounted for a significant 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. The Company increased its regulatory capital by \$182.6 million in 2003, causing the Company's total risk-based capital ratio to increase from 9.4% at the end of 2002 to 12.1% at the end of 2003. Management is committed to maintaining the Company's capital levels above the "Well Capitalized" levels established by the Federal Reserve for bank holding companies.

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, 2004, subject to minimum capital requirements at the Banks, approximately \$76.4 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, 2004, approximately \$35.4 million was available as dividends from the Banks without compromising the Banks' well-capitalized positions. During 2003 and 2001 the subsidiaries paid dividends to Wintrust totaling \$5.5 million and \$13.5 million, respectively. No dividends were paid by subsidiaries in 2002.

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	Cash Dividend per share
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
August 6, 2003	August 20, 2003	0.0800
February 5, 2004	February 19, 2004	0.1000

The dividend payout ratio was 8.1% in 2003, 7.5% in 2002, 7.4% in 2001 and 8.0% in 2000. The Company continues to target an earnings retention ratio of approximately 90% to support continued growth. The dividends paid in 2003 represented a 33% increase over the dividends paid in 2002. Along those same lines, the semi-annual dividend declared in January 2004 represents (on an annualized basis) a 25% increase over 2003.

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. During 2003, the Company repurchased 600 shares of common stock and reissued these shares in connection with the exercise of stock options.

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 59% of the Company's total assets were funded by core deposits at the end of 2002 compared to 61% at the end of 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, 2003, net liquid assets totaled approximately \$76.4 million, compared to approximately \$201.2 million at December 31, 2002.

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, 2003 and 2002, the Banks had approximately \$269.2 million and \$143.2 million, respectively, of securities collateralizing such public deposits and other short-term borrowings. Deposits requiring pledged assets are not considered to be core deposits, and the assets that are pledged as collateral for these deposits are not deemed to be liquid assets.

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

## CONTRACTUAL OBLIGATIONS, COMMITMENTS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET ARRANGEMENTS

The Company has various financial obligations, including contractual obligations and commitments, that may require future cash payments.

*Contractual Obligations.* The following table presents, as of December 31, 2003, significant fixed and determinable contractual obligations to third parties by payment date. Further discussion of the nature of each obligation is included in the referenced note to the Consolidated Financial Statements.

	Note Reference	Payments Due In				Total
		One Year or Less	1 - 3 Years	3 - 5 Years	Over 5 Years	
(in thousands)						
Deposits	10	\$3,062,365	587,873	225,908	475	3,876,621
Notes payable	11	—	25,000	—	1,000	26,000
FHLB advances <sup>(1)</sup>	12	—	4,000	—	140,000	144,000
Subordinated notes	13	—	—	5,000	45,000	50,000
Other borrowings	14	75,669	2,400	—	—	78,069
Long-term debt — preferred securities <sup>(2)</sup>	15	—	—	—	96,050	96,050
Operating leases	16	1,956	3,431	1,644	604	7,635
Purchase obligations <sup>(3)</sup>		15,510	7,413	6,618	83	29,624

<sup>(1)</sup> Excludes basis adjustment for purchase accounting adjustment. Certain advances provide the FHLB with one-time call dates which are not reflected in the above table.

<sup>(2)</sup> Excludes basis adjustment for fair value hedge and portion of debt related to common stock of trusts owned by the Company.

<sup>(3)</sup> Purchase obligation amounts presented above primarily relate to certain contractual obligations for services related to the construction of facilities, data processing and the outsourcing of certain operational activities.

The Company also enters into derivative contracts under which the Company is required to either receive cash from or pay cash to counterparties depending on changes in interest rates. Derivative contracts are carried at fair value representing the net present value of expected future cash receipts or payments based on market rates as of the balance sheet date. Because the derivative liabilities recorded on the balance sheet at December 31, 2003 do not represent the amounts that may ultimately be paid under these contracts, these liabilities are not included in the table of contractual obligations presented above.

*Commitments.* The following table presents a summary of the amounts and expected maturities of significant commitments as of December 31, 2003. Further information on these commitments is included in Note 20 of the Consolidated Financial Statements.

	One Year or Less	1 - 3 Years	3 - 5 Years	Over 5 Years	Total
(in thousands)					
<i>Commitment type:</i>					
Commercial, commercial real estate and construction	\$655,802	92,226	15,785	20,424	784,237
Residential real estate	15,674	—	—	—	15,674
Revolving home equity lines of credit	473,668	—	—	—	473,668
Letters of credit	33,544	3,766	6,788	—	44,098
Commitments to sell mortgage loans	39,715	—	—	—	39,715

*Contingent Liabilities.* 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, 2003, outstanding premium finance receivables sold to and serviced for third parties for which the Company has a recourse obligation were \$113.4 million.

## 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):

	2003	2002	2001	2000 <sup>(1)</sup>	1999
<b>Balance at beginning of year</b>	<b>\$ 18,390</b>	13,686	10,433	8,783	7,034
<b>Provision for loan losses</b>	<b>10,999</b>	10,321	7,900	5,055	3,713
<b>Allowance acquired in business combinations</b>	<b>1,602</b>	—	—	—	175
<b>Charge-offs:</b>					
Commercial and commercial real estate loans	2,382	1,677	984	897	691
Home equity loans	358	—	25	—	—
Residential real estate loans	—	3	34	50	14
Consumer and other loans	222	294	34	103	132
Premium finance receivables	2,558	3,680	3,062	1,294	456
Indirect automobile loans	937	925	1,080	1,339	1,156
Tricom finance receivables	—	10	103	73	—
<b>Total charge-offs</b>	<b>6,457</b>	6,589	5,322	3,756	2,449
<b>Recoveries:</b>					
Commercial and commercial real estate loans	339	314	163	53	35
Home equity loans	39	—	72	—	—
Residential real estate loans	13	—	—	—	—
Consumer and other loans	40	26	1	5	6
Premium finance receivables	399	456	245	129	167
Indirect automobile loans	173	150	194	164	102
Tricom finance receivables	4	26	—	—	—
<b>Total recoveries</b>	<b>1,007</b>	972	675	351	310
<b>Net charge-offs</b>	<b>(5,450)</b>	(5,617)	(4,647)	(3,405)	(2,139)
<b>Balance at end of year</b>	<b>\$ 25,541</b>	18,390	13,686	10,433	8,783
<b>Net charge-offs (recoveries) by category as a percentage of average loans in respective category:</b>					
Commercial and commercial real estate loans	0.15%	0.12%	0.10%	0.15%	0.16%
Home equity loans	0.08	—	(0.02)	—	—
Residential real estate loans	(0.01)	—	0.02	0.04	0.01
Consumer and other loans	0.24	0.44	0.05	0.18	0.26
Premium finance receivables	0.34	0.70	0.79	0.43	0.14
Indirect automobile loans	0.45	0.42	0.46	0.50	0.44
Tricom finance receivables	(0.02)	(0.08)	0.55	0.35	—
<b>Total loans</b>	<b>0.18%</b>	0.24%	0.26%	0.24%	0.19%
<b>Net charge-offs as a percentage of the provision for loan losses</b>	<b>49.55%</b>	54.42%	58.82%	67.36%	57.61%
<b>Year-end total loans</b>	<b>\$3,297,794</b>	2,556,086	2,018,479	1,547,596	1,270,126
<b>Allowance as a percentage of year-end loans</b>	<b>0.77%</b>	0.72%	0.68%	0.67%	0.69%

(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 for 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, 2003 and 2002 was 0.77% and 0.72%, respectively. As a percent of average total loans, total net charge-offs for 2003 and 2002 were 0.18% and 0.24%, 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 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. The Company reviews Watch List 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, 2003, increased \$7.2 million to \$25.5 million from December 31, 2002, primarily due to growth of \$327.4 million, or 25%, in the commercial and commercial real estate portfolio and \$285.3 million, or 62%, 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 in 2003 was not impacted significantly by changes in the amount or credit risk associated with the indirect automobile portfolio as the portfolio has decreased \$4.2 million from December 31, 2002 and the allocated loss was consistent with 2002 after having 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 50% of total loans at December 31, 2003. Net charge-offs in this category totaled \$2.1 million, or 0.15% of average loans in this category in 2003, and \$1.4 million, or 0.12% of average loans in this category in 2002.

Premium finance receivable net charge-offs for the year ended December 31, 2003 totaled \$2.2 million as compared to \$3.2 million in 2002. Net charge-offs were 0.34% of average premium finance receivables in 2003 versus 0.70% in 2002. The decrease in the ratio of net charge-offs to average premium finance receivables in 2003 compared to 2002 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. Most of these smaller balance, higher delinquency, account relationships have been terminated and the related receivables 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 1.26% at December 31, 2003, from 1.50% at December 31, 2002 and 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 included 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 \$764,000 in 2003, compared to \$775,000 in 2002 and \$886,000 in 2001. Net charge-offs as a percentage of average indirect auto loans were 0.45% in 2003, 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):

	2003	2002	2001	2000	1999
<b>Loans past due greater than 90 days and still accruing:</b>					
Residential real estate and home equity	\$ —	32	168	—	385
Commercial, consumer and other	1,024	3,047	1,059	651	328
Premium finance receivables	3,439	2,198	2,402	4,306	1,523
Indirect automobile loans	313	423	361	397	391
Tricom finance receivables	—	—	—	—	—
Total loans past due greater than 90 days and still accruing	<u>4,776</u>	<u>5,700</u>	<u>3,990</u>	<u>5,354</u>	<u>2,627</u>
<b>Non-accrual loans:</b>					
Residential real estate and home equity	3,217	711	1,385	153	—
Commercial, consumer and other	9,646	1,132	1,180	617	1,895
Premium finance receivables	5,994	4,725	5,802	3,338	2,145
Indirect automobile loans	107	254	496	221	298
Tricom finance receivables	—	20	104	—	—
Total non-accrual loans	<u>18,964</u>	<u>6,842</u>	<u>8,967</u>	<u>4,329</u>	<u>4,338</u>
<b>Total non-performing loans:</b>					
Residential real estate and home equity	3,217	743	1,553	153	385
Commercial, consumer and other	10,670	4,179	2,239	1,268	2,223
Premium finance receivables	9,433	6,923	8,204	7,644	3,668
Indirect automobile loans	420	677	857	618	689
Tricom finance receivables	—	20	104	—	—
Total non-performing loans	<u>23,740</u>	<u>12,542</u>	<u>12,957</u>	<u>9,683</u>	<u>6,965</u>
Other real estate owned	<u>368</u>	<u>76</u>	<u>100</u>	<u>—</u>	<u>—</u>
<b>Total non-performing assets</b>	<u>\$24,108</u>	<u>12,618</u>	<u>13,057</u>	<u>9,683</u>	<u>6,965</u>
<b>Total non-performing loans by category as a percent of its own respective category:</b>					
Residential real estate and home equity	0.48%	0.14%	0.39%	0.05%	0.16%
Commercial, consumer and other	0.63	0.30	0.21	0.18	0.41
Premium finance receivables	1.26	1.50	2.36	2.44	1.67
Indirect automobile loans	0.24	0.38	0.47	0.30	0.27
Tricom finance receivables	—	0.10	0.57	—	—
Total non-performing loans	<u>0.72%</u>	<u>0.49%</u>	<u>0.64%</u>	<u>0.63%</u>	<u>0.55%</u>
<b>Total non-performing assets as a percentage of total assets</b>	<u>0.51%</u>	<u>0.34%</u>	<u>0.48%</u>	<u>0.46%</u>	<u>0.41%</u>
<b>Allowance for loan losses as a percentage of non-performing loans</b>	<u>107.59%</u>	<u>146.63%</u>	<u>105.63%</u>	<u>107.75%</u>	<u>126.10%</u>

### *Non-performing Residential Real Estate and Home Equity*

The residential real estate and home equity non-performing loan total of \$3.2 million consists of credits related to three borrowers with the two largest credits in this group being \$1.5 million and \$1.4 million. Each of the credits is well secured and in the process of collection. Management does not expect any material losses from the resolution of any of the credits in this category.

### *Non-performing Commercial, Consumer and Other*

The commercial, consumer and other non-performing loan category totaled \$10.7 million as of December 31, 2003. The balance in this category increased \$6.5 million due primarily to the addition of credits related to two different borrowers - one credit in the amount of \$2.5 million that has its collateral currently under contract for sale whereby the Company would be paid in full upon the closing of the sale and one borrower relationship in the amount of \$3.7 million that the Company is working closely with the borrower to resolve. Additionally, one other borrower relationship in this category totaling \$1.5 million that has been listed as non-performing in prior quarters is currently expected to be resolved in the first quarter of 2004 via the sale of collateral. The remaining balance of loans in this category of non-performing loans is comprised of approximately 20 credits with no balance exceeding \$700,000 individually. Although the balance of loans in this category has increased significantly in percentage terms from the prior quarter, the cause is limited to a very small number of credits. Management does not expect any material losses from the resolution of any of the credits in this category. The increase is not considered to be a trend but rather the confluence of unrelated factors that are primarily related to two borrowers.

### *Non-performing Premium Finance Receivables*

The table below presents the level of non-performing premium finance receivables as of December 31, 2003 and 2002, and the amount of net charge-offs for the years then ended (in thousands):

	2003	2002
Non-performing premium finance receivables	<b>\$9,433</b>	\$6,923
- as a percent of premium finance receivables outstanding	<b>1.26%</b>	1.50%
Net charge-offs of premium finance receivables	<b>\$2,159</b>	\$3,224
- as a percent of average premium finance receivables	<b>0.34%</b>	0.70%

The level of non-performing premium finance receivables as a percent of total premium finance receivables is down from the prior year-end level. As noted below, fluctuations in this category may occur due to timing and nature of account collections from insurance carriers. Management is comfortable with administering the collections at this level of non-performing premium finance receivables and expects that such ratios will 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 of the loss inherent in the portfolio. In the event of default, Wintrust has the power to cancel the insurance policy and collect the unearned portion of the premium from the insurance carrier. In the event of cancellation, the cash returned in payment of the unearned premium by the insurer should generally be sufficient to cover the receivable balance, the interest and other charges due. Due to notification requirements and processing time by most insurance carriers, many receivables will become delinquent beyond 90 days while the insurer is processing the return of the unearned premium. Management continues to accrue interest until maturity as the unearned premium is ordinarily sufficient to pay-off the outstanding balance and contractual interest due.

### *Non-performing Indirect Automobile Loans*

Total non-performing indirect automobile loans were \$420,000 at December 31, 2003, compared to \$677,000 at December 31, 2002. The ratio of these non-performing loans to total indirect automobile loans was 0.24% at December 31, 2003 compared to 0.38% at December 31, 2002. As noted in the Allowance for Loan Losses table, net charge-offs as a percent of total indirect automobile loans were 0.45% for 2003 compared to 0.42% in the same period in 2002. 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, 2003 were \$174 million, down from \$178 million at December 31, 2002.

### *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 SEC regulations.

### *Credit Quality Review Procedures*

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, 2003 and December 31, 2002, was approximately \$27.4 million and \$34.3 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, 2003, 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 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:

- 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 startup 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 in 2002 and Lake Forest Capital Management in 2003 will depend on the successful integration of these businesses.
- The Company's success to date has been and will continue to be strongly influenced by its ability to attract and retain senior management experienced in banking and financial services.
- Although management believes the allowance for 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.
- If market interest rates should move contrary to the Company's gap position on interest earning assets and interest bearing liabilities, the "gap" will work against the Company and its net interest income may be negatively affected.
- The financial services business is highly competitive which may affect the pricing of the Company's loan and deposit products as well as its services.
- The Company's ability to adapt successfully to technological changes to compete effectively in the marketplace.
- Future events may cause slower than anticipated development and growth of the Tricom business should the temporary staffing industry experience continued slowness.
- 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.
- 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.
- Unexpected difficulties or unanticipated developments related to the integration of Advantage National Bancorp, Inc. and Village Bancorp, Inc.
- Unexpected difficulties or unanticipated developments related to the pending organization of the Company's next *de novo* bank planned for the Beverly neighborhood of Chicago.

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## Leadership — Directors & Officers

### Wintrust Financial Corporation

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#### Directors

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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

#### Executive Officers

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*President & Chief Executive Officer*

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*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*

#### Officers

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John S. Reagan  
Michael A. Cherwin  
Matthew E. Doubleday  
Raj V. Nagarajan  
Richard J. Pasminski  
Jay P. Ross  
Jolanta K. Slusarski  
T. Tolbert Chisum  
Stacey L. Herman

### Lake Forest Bank & Trust Company

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#### Directors

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Jack Frigo  
Randolph M. Hibben  
Howard Kerr  
Robert T.E. Lansing  
John S. Lillard  
Frank Mariani  
John J. Meierhoff  
Albin F. Moschner  
Joseph Pasquesi  
Hollis W. Rademacher  
Alison P. Ranney  
J. Christopher Reyes  
Ellen Stirling  
Edward J. Wehmer  
Maurice F. Dunne, Jr. (Emeritus)  
Francis Farwell (Emeritus)  
Eugene Hotchkiss (Emeritus)  
Moris T. Hoversten (Emeritus)

#### Executive Officers

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*Chairman & Chief Executive Officer*

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*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 Bank & Trust*

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Janice C. Nelson  
Jennifer Z. Brooks  
Warren Harshbarger  
Lori Higgins  
Thomas Littau  
Stephen Milota  
Mary Satherlie  
Lisa Sefton  
Gina Stec  
Laura Cascarano  
Patricia McNeilly  
James C. Miller  
Michelle Parnell  
Susan Potash  
Maria Santello  
Christopher Baker  
Todd K. Grubich  
Kimberly Greenfield  
Jane Kriens  
April Thompson

#### Personal Banking

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Twila D. Hungerford  
Judy Moloney  
Dennis Carani  
Piera Dallabattista  
Amy Boyle  
Barbara Kubas  
Christina Martoccio  
Shilpa Patel

#### Operations/Finance/Other

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Margaret Zacher  
Kathleen E. Bickmore  
Kelly Breasbois  
Elizabeth Krumrey  
Andrea Levitt  
Jo Marie Loesch  
Debra Nicholas  
Carolyn P. Szymanski

Scott D. Nolan  
Patricia L. Pappas  
Helene A. Torrenga  
Natalie A. Meissner  
Grant A. Haughton  
98

WINTRUST FINANCIAL CORPORATION

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## Hinsdale Bank & Trust Company

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Diane Dean  
Donald Gallagher  
Elise Grimes  
Robert D. Harnach  
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Douglas J. Lipke  
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James P. McMillin  
Mary Martha Mooney  
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Ralph J. Schindler  
Katharine V. Sylvester  
Robert Thompson  
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Lorraine Wolfe  
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Joel Nelson (Emeritus)

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*President-Clarendon Hills Bank*

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*President-The Community Bank of  
Western Springs*

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*President-Community Bank of  
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Holly A. Bishop  
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Michelle Paetsch  
Elizabeth D. Reis  
Patricia A. Mayo  
Rhonda M. Sippel

## North Shore Community Bank & Trust Company

---

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James Fox (Emeritus)  
Lemuel H. Tate (Emeritus)

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Romelia Lemus  
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**Residential Real Estate**

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W. Bradley Stetson  
Charles VanFossan  
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Tim Wickstrom

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Karen G. Smith  
Kathy E. Zuniga

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Afroze Rahman  
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Lana A. Smart  
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Ormel J. Prust  
Hollis W. Rademacher  
Candy Reedy  
Nancy Riley  
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Henry L. Cowlin (Emeritus)

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Ormel J. Prust  
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Bank & Trust*

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Brian R. Fowler

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Marybeth Barron  
Linda VanEvery



**Northbrook Bank & Trust  
Company**

---

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Lewis Korompilas

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Patricia A. Klingeman

**Operations/Finance**

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Rosemarie D. Mann

**Advantage National Bank**

---

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Edwin F. Schwarzer  
Harvey G. Seybold  
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Gerhardt E. Umlauf (Chairman)  
Edward J. Wehmer

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Philip A. Bash  
George S. Dimitrakopoulos  
Jill Mollenkamp  
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**Operations**

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Donna Garrett

**Village Bank and Trust — Arlington  
Heights**

---

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Kevin R. Hitzeman  
Ross Ippolito  
John J. Lopez  
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Thomas H. Roth (Chairman)  
Kristine M. Stabler  
Donald J. Storino  
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*Executive Vice President &  
Controller*

Angelos Mitroussias  
*Senior Vice President & Senior  
Loan Officer*

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Norma L. Ahlstrand  
Susan A. Puraleski



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Thomas Gibbons  
Ray Guerin  
James Keaty  
Raymond L. Kratzer  
John McNery  
Jo Anne Moss  
Dennis C. O'Malley  
James A. O'Malley (Chairman)  
Hollis W. Rademacher  
Tom Schaffer  
Michael Sise  
Ted Spyropoulos  
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*President*

William T. Salamone  
*Executive Vice President &  
Chief Operations Officer*

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Dee V. Lawson

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Philip W. Hummer  
L. Hamilton Kerr, III  
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Raymond L. Kratzer  
John S. Lillard  
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Robert L. Meyers  
Hollis W. Rademacher  
Edward J. Wehmer (Chairman)  
Richard Wholey

**Executive Officers**

Thomas McDonald  
*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  
Steven R. Becker  
Philip M. Burno  
W. Douglas Carroll  
Daniel G. Hack  
Philip W. Hummer  
William B. Hummer  
Richard J. Kosarek  
Raymond L. Kratzer  
Luigi E. Mancusi  
David P. Poitras  
Richard Wholey  
H. Flagg Baum  
Victor Baum  
Katherine Burno  
Peder Culver  
John Fritzell  
Jeffry P. Kraus  
J. Daniel Hansen  
Robert A. Hon  
Patricia A. Marsh  
P. Scott Park  
Joseph A. Piekarczyk  
Brian Siegel  
Floyd Siegel

R. Daniel Steele  
John C. Tyrpin  
Ronald A. Tyrpin  
Errett Van Nice  
Lawrence H. Weisz  
Jean Williams  
James J. Bann  
David M. Bruskin  
Vincent Cannova  
Paul Cetera  
Steven Diamond  
Larry Doody  
John Frazak  
Thomas J. Fulscher  
Shawn Gretzinger  
Donald A. Kennedy  
Gerard B. Kostuk  
Grove N. Mower  
Michael J. Phillipp  
Scott W. Turner

**Sales/Marketing**

Robert A. Stuber  
Kellie Dolliver

**Operations/Other**

Paul Carroll  
Kathy Darcy  
Mary McCarthy  
William Reilly  
Elliott Silver  
Marylin Hederman  
Thomas Kiernan  
William Reynolds  
Maureen Valentine  
Matthew Stasko  
Diane Hogan  
Jonathan Stanislaw  
Barbara Danks  
Mariusz Niedbalec  
Leonard Smith  
Anna Solus  
Paul Wascher  
James Zaczyk  
Lynn Reynolds



**Focused Investments L.L.C.****Directors**

James F. Duca, II  
 David A. Dykstra  
 Laura A. Kogut (Chairman)  
 Raymond L. Kratzer  
 Thomas McDonald  
 Edward J. Wehmer

**Executive Officers**

Laura A. Kogut  
*President & Chief Executive Officer*

**Officers**

Jenny J. Charles  
 Tom Stamborski  
 Michelle Biondo  
 Lisa Newman

**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**

Robert Mayo  
 Robert L. Meyers  
 James P. Richter  
 Samuel Carpenter  
 Kenneth H. Cooke  
 David D. Cox  
 Jennifer L. Czerwinski  
 Kathy Darcy  
 Mark H. Dierkes  
 Edward W. Edens  
 Susan C. Gavinski  
 Amy G. Howes  
 Ethel R. Kaplan  
 Elizabeth Karabatsos  
 Gerard B. Leenheers  
 Anita E. Morris  
 Laura H. Olson  
 Thomas J. Rowland  
 Sandra L. Shinsky  
 Kay Stevens  
 Ann Wiesbrock  
 Maria Bora  
 Virginia Primack  
 Judith McAndrew

**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**

Sandy A. Lincoln  
*President & CEO*

George T. "Ted" Becker  
*Chief Financial Officer*

**Officers**

Mark H. Dierkes  
 Philip W. Hummer  
 Robert L. Meyers  
 David P. Poitras  
 James P. Richter  
 Thomas J. Rowland  
 David D. Cox  
 David J. Galvan  
 Richard O'Hara  
 Amy G. Howes  
 Damaris E. Martinez  
 Jean M. Maurice



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**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  
John W. Dixon  
Matthew E. Doubleday  
Mark C. Lucas  
G. David Wiggins  
Kimberly J. Malizia  
Amy J. Evola  
Russell L. Goldstein  
Whitney E. Bergfeld

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**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*

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**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

**Executive Officers**

Lloyd M. Bowden  
*President & Chief Executive Officer*

Candace M. Schulze  
*Vice President/Banking Services*

**Management**

Susan M. Greffin  
Tara Delaney-Grimes  
Carol M. Hahn  
Scott T. Meyers

**Senior Staff**

Elizabeth K. Pringle  
Dennis L. Brower  
Glenn W. Ritchie  
Ronald D. Henriksen

## *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  
847-432-9988

##### *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)

##### *Community Bank of Downers Grove*

1111 Warren Avenue  
Downers Grove, IL 60515  
630-968-4700

[www.downersgrovebank.com](http://www.downersgrovebank.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*

7800 Lincoln Avenue  
Skokie, IL 60077  
847-933-1900

### **Libertyville Bank & Trust Company**

[www.libertyvillebank.com](http://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**

1200 South Milwaukee Avenue  
Libertyville, IL 60048  
847-367-6800

##### *Wauconda Community Bank*

##### **Main Bank**

495 West Liberty Street  
Wauconda, IL 60084  
847-487-2500

[www.waucondabank.com](http://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.community-advantage.com

*Hoffman Estates Community Bank*  
1375 Palatine Road  
Hoffman Estates, IL 60195  
847-963-9500  
www.hecommunitybank.com

**Crystal Lake Bank & Trust Company**

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 & Trust*  
3322 West Elm Street  
McHenry, IL 60050  
815-344-6600  
www.mchenrybank.com

*Cary Bank & Trust*  
60 East Main Street  
Cary, IL 60013  
847-462-8881  
www.carybank.com

*NorthAmerican Aviation Finance*  
70 N. Williams St.  
Crystal Lake, IL 60014  
1-877-FLYMONEY  
www.namaf.com

**Northbrook Bank & Trust Company**

www.northbrookbank.com

Main Bank  
1100 Waukegan Road  
Northbrook, IL 60062

**Advantage National Bank**

www.advantagenationalbank.com

Main Bank  
75 East Turner Avenue  
Elk Grove Village, IL 60007  
847-364-0100

Roselle Facility  
1350 West Lake Street  
Roselle, IL 60172  
630-529-0100

**Village Bank and Trust –  
Arlington Heights**

Main Bank  
311 South Arlington Heights Road  
Arlington Heights, IL 60005  
847-483-6000

Prospect Heights Facility  
1854 East Rand Road  
Prospect Heights, IL 60070

**Wayne Hummer Investments, L.L.C.**

www.whummer.com

300 South Wacker  
Suite 1500  
Chicago, IL 60606  
312-431-1700

727 North Bank Lane  
Lake Forest, IL 60045  
847-482-8435

810 South Waukegan Avenue  
Lake Forest, IL 60045  
847-482-8469

25 East First Street  
Hinsdale, IL 60521  
630-655-8485

201 South Hough Street  
Barrington, IL 60010  
847-304-5938

200 East Washington St.  
Appleton, WI 54911  
920-734-1474

**Focused Investments L.L.C.**

www.focusedinvestments.com

300 South Wacker  
Suite 1680

**Wayne Hummer Trust Company**

www.whummer.com

300 South Wacker  
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  
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**

847-418-2800

Chicago, IL 60606  
312-431-1700

**Technology Services Company**

851 North Villa Ave.  
Villa Park, IL 60181  
630-516-4060

2003 ANNUAL REPORT

107

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## *Corporate Information*

### **Public Listing and Market Symbol**

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

### **Website Location**

The Company maintains a financial relations internet website at the following location:  
[www.wintrust.com](http://www.wintrust.com)

### **Annual Meeting of Shareholders**

May 27, 2004  
10:00 a.m.  
Michigan Shores Club  
911 Michigan Avenue  
Wilmette, Illinois

108

### **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**

- Howe Barnes Investments, Inc.
- FTN Financial Securities Corp.
- Piper Jaffray & Co.
- Raymond James & Associates
- RBC Capital Markets
- Sandler O'Neill & Partners
- Sidoti and Company
- Stifel, Nicolaus & Company, Inc.

WINTRUST FINANCIAL CORPORATION



**Revised version  
January 2004**

**Wintrust Financial Corporation  
Form 10-K, Exhibit 14.1**

**Wintrust Financial Corporation  
Corporate Code of Ethics  
2003**

**As adopted December, 2003**

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## **I. INTRODUCTION**

The Board of Directors of Wintrust Financial Corporation has adopted this Code of Ethics to provide our employees, vendors, clients, stockholders and members of the general public with an official statement of the fundamental principles that govern how Wintrust Financial Corporation, the Wintrust Banks and all our subsidiaries (together, the "Company") conduct themselves in the marketplace.

Under the code, our employees should conduct business for the Company in the full spirit of honest, ethical and lawful behavior and should not cause another employee or non-employee to act otherwise, either through inducement, suggestion or coercion. In addition, our banks, broker-dealer and investment adviser subsidiaries also require their employees to abide by detailed standards of ethical conduct they have adopted in accordance with regulations applicable to them.

Consistent with the Sarbanes-Oxley Act of 2002, this Corporate Code of Ethics will be disclosed in the periodic financial reports of the Company. The purpose of this Code is to deter wrongdoing and to promote: (1) honest and ethical conduct, including the ethical handling of conflicts of interest; (2) full, fair, accurate, timely and understandable disclosure in periodic reports; and (3) compliance with applicable rules and regulations.

### **Who's Covered**

The Code applies to all directors, officers and employees of the Company, including the directors, officers and employees of each of our subsidiaries. All employees should be familiar with the Code. All employees and directors will be asked annually to read and sign the Code. This Code is not a contract (express or implied) but rather a pronouncement of our desire to promote exemplary ethical behavior by our employees, directors and agents in the conduct of all of our business affairs.

## **II. CONFLICT OF INTEREST**

Employees and directors of the Company must avoid situations where their personal interests could conflict or appear to conflict with the interests of the Company or its shareholders. Conflicts of interest may arise when an individual's position or responsibilities with the corporation present an opportunity for personal gain apart from the normal compensation provided through employment. To help you avoid conflicts (and the appearance thereof), the following guidelines have been developed.

### **Use of Corporate Funds and Assets**

The assets of the Company are much more than our offices, furnishings, equipment, cash deposits, corporate funds, computers and pencils. They include client lists and marketing concepts, business strategies and plans, investment programs, as well as information about our business. These assets may not be improperly used to provide personal gain for employees. Nor may employees provide others with the assets of the Company. The theft of money, property or other assets will not be tolerated.

### **Confidential Information**

As part of your job, you may have access to confidential information about the Company, our clients, vendors, business partners, competitors and shareholders. Unless properly released to the public, this information should not be disclosed to fellow employees who do not have a business need to know or to non-employees for any reason, except in accordance with established corporate procedures. Confidential information of this sort includes information or data on deposit and loan pricing, business strategies, acquisitions, new branch locations, client information, investment portfolios, corporate manuals, processes, systems, procedures, financial information, etc. Much of the financial information we have about clients is subject to their legal rights to privacy and our privacy and confidentiality policies must be strictly adhered to preserve these rights. The duty to protect the confidences of the Company and its clients includes avoiding not only intentional disclosures but also taking care to avoid unintentional or indirect disclosure .

### **Personal Financial Gain**

- Directors and employees should avoid any outside financial interests that might interfere or unduly influence their corporate decisions or actions on behalf of the Company. This does not prohibit investments in or relationships with other companies that compete with or do business with the Company so long as the investment or relationship does not interfere with the director or employee's exercise of independent judgment in fulfilling responsibilities to the Company.
- Insider trading in securities of the Company or tipping non-public material information about the Company to others is a violation of law and is strictly prohibited for all directors, officers and employees. All executive officers and directors of Wintrust are also expected to comply with restricted trading periods that are in place from time to time under the Company's insider trading policies applicable to them.

If you feel you may have a conflict of interest due to your non-Company investments, you should seek guidance from your manager or any of the Chief Executive Officer, the Chief Operating Officer, Chief Financial Officer or Director of Internal Audit.

### **Outside Activities**

Employees should avoid outside employment or activities that would have a negative impact on their job performance with the Company, or which are likely to conflict with their obligations to the Company. No employee may engage in personal activities that conflict with the best interests of the Company or our clients. An employee who performs work for a company with which we do business or compete must disclose that interest or work to his/her manager.

In addition, you may not accept a personal appointment to act as an administrator, executor, guardian, trustee, or to act in any other fiduciary capacity, except when acting in such capacity for a person related to you by blood or marriage, without the approval of your departmental supervisor. Where such responsibilities are accepted for a relative and/or approval is obtained, our policies and the law demand the highest standards of good faith in discharging such duties.

**Corporate Opportunities**

All business opportunities for personal investment that come to the attention of any employee, officer or director of the Company that in any way relates to the business strategy of the Company or any of its subsidiaries are considered “corporate opportunities”. Each employee, officer and director is prohibited from using his or her position for inappropriate gain, which would include appropriating for themselves, or for any affiliate or family members, business opportunities that properly belong to the Company, whether or not the corporate opportunities are discovered through the performance of duties to the Company.

**III. COMPLIANCE WITH LAWS**

In fulfillment of their responsibilities to the Company, all employees and directors are required to conduct themselves in a professional and ethical manner to promote the Company’s compliance with laws of federal, state and local governments applicable to the Company as well as the rules and regulations of private and public regulatory agencies having jurisdiction over the Company. The Company has implemented many policies and procedures designed to ensure compliance with laws and regulations, and employees should make every effort to abide by these policies and procedures at all times.

**IV. DEALING WITH CLIENTS AND VENDORS**

The following guidelines are intended to help all employees make the appropriate decision in potentially difficult or confusing situations.

**“Kickbacks” and Rebates**

The extension of loans and purchases or sales of products and services must not lead to employees or directors, or their families, receiving personal kickbacks, rebates or other payments regardless of form, whether in money, property or services.

**Gifts and Entertainment**

To avoid both the reality and the appearance of improper relations with clients or vendors, the following standards apply to receipt of gifts and entertainment by directors, officers and employees:

*Gifts*

- You may not accept gifts of money under any circumstances nor may you solicit non-money gifts, gratuities, or any other personal benefit or favor of any kind from any business, firm or individual doing or seeking to do business with the Company.

- You and members of your immediate family may accept unsolicited, non-money gifts from a business, firm or individual doing or seeking to do business with the Company but only if: (1) the gift is of nominal intrinsic value; (2) the gift is advertising or promotional material; or (3) the gift is reasonable under the circumstances and otherwise complies with Company or subsidiary policies and procedures applicable to you. Gifts or bequests from family members, and gifts or bequests of a nominal value from non-family members, are not prohibited.

#### *Entertainment*

- Directors, officers and employees may offer and/or accept meals, invitations to athletic events and other entertainment to or from clients or prospective clients if the entertainment is of reasonable value, appropriate in the context of your position with the Company and the Company's business objectives and in accordance with applicable Company policies. Employees should not, however, encourage or solicit entertainment from a business, firm or individual because they are doing or seeking to do business with the Company.
- Employees will be reimbursed for entertainment expenses only in accordance with Company policies and procedures as in effect from time to time.

#### **Payments to Brokers, Agents, Consultants**

Agreements with brokers, agents, sales representatives, and consultants must be in writing and must clearly and accurately set forth the services to be performed, the basis for earning the commission or fee involved, and the applicable rate or fee. Payments must be reasonable in amount and commensurate with the value of services rendered.

#### **V. FINANCIAL BOOKS AND RECORDS**

False or artificial entries shall not be made in the books or records of the Company for any reason; to do so may result in criminal and/or civil penalties to the Company and/or employee. No employee may engage in an arrangement that in any way may be interpreted or construed as misstating or otherwise concealing the nature or purpose of any entries in the financial books and records of the Company. The Company's policy is to make full, fair, accurate, timely and understandable disclosures in reports and documents filed with, or submitted to, the SEC and in the Company's public statements, and directors, officers and employees involved in the preparation or review of these reports, documents and statement must promote these objectives.

#### **Falsification of Records**

No payment or receipt on behalf of the Company may be approved or made with the intention or understanding that any part of the payment or receipt is to be used for a purpose other than that described in the documents supporting the transaction. "Slush funds" or similar funds or accounts where no accounting for receipts or expenditures is made on the Company's books are strictly prohibited.

## **Retention of Records**

All employees must comply with the Company's records retention policies applicable to their area of operations. Destruction, concealment or falsification of any documents required by law to be retained is strictly prohibited.

## **VI. FAIR DEALING**

All employees and directors of the Company must uphold the highest standards of fair, honest and ethical conduct in all business dealings with clients, with other employees, with vendors, partners and competitors, with stockholders and with the general public.

### **Information About Competitors**

In business, it is inevitable that the Company and its competitors will meet and talk from time to time. This is neither against the law nor to be avoided. What must be avoided, at all costs, is collaboration with competitors in violation of the law on such things as pricing, marketing, product design, sales territories and goals, and proprietary or confidential information.

As a vigorous competitor in the marketplace, we seek economic knowledge about our competitors. However, we will not engage in illegal or improper acts to acquire a competitor's pricing lists, marketing plans, client lists, employee lists, financial data, information about company facilities, expansion plans or operations. In addition, we do not hire competitors' employees for purposes of obtaining confidential information or urge competitive personnel or clients to disclose confidential information.

## **VII. POLITICAL ACTIVITIES AND CONTRIBUTIONS**

The Company encourages each of its employees to be good citizens and to fully participate in the political process. Employees should, however, be aware that: (1) federal law prohibits the Banks from contributing to federal political candidates, political parties or party officials; and (2) employees who participate in partisan political activities must make every effort to ensure that they do not leave the impression that they speak or act for the Company or the Banks.

## **VIII. ENFORCEMENT**

### **Boards of Directors**

The Board of Directors of Wintrust is responsible in its oversight role to assure that the business practices of the Company are conducted in accordance with this Corporate Code of Ethics. In fulfilling this responsibility, the Board will require the board of directors of each subsidiary of Wintrust to report to the Nominating and Corporate Governance Committee of the Wintrust Board of Directors regarding their oversight of the subsidiary's compliance with the Code.

In all cases, the respective boards of directors will assure that the legal rights of individuals are protected, that the Company's legal obligations are fulfilled and that proper disciplinary and legal action is taken if violations occur. The boards of directors will also see that corrective measures are taken consistently and safeguards are instituted to prevent recurrence of violations.

## **Reporting of Violations**

As a Company employee, you are expected to report without delay all unethical, dishonest or illegal activities or financial improprieties by other employees to your manager (unless implicated in the suspect activity). Employees are also encouraged to contact directly any of the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Controller or Director of Internal Audit of Wintrust with any concerns about wrongdoing or questionable practices of any kind within the Company.

## **Confidential Hotline**

You may also report any such information confidentially by calling our ethics hotline at 1-866-ETHICSP (1-866-384-4277) or through the hotline website at [www.ethicspoint.com](http://www.ethicspoint.com). The ethics hotline is maintained by a third party service to ensure confidentiality and proper handling of any reported violations and is available 24 hours a day, 7 days a week. Your report may also be made anonymously through the hotline. However, it is helpful to provide information that can be promptly investigated by appropriate officers of the Company and where appropriate, the Audit Committee of the Board of Directors or other members of the Board of Directors as appropriate.

Concerns regarding questionable accounting, internal accounting controls or auditing matters, or any other suspected wrongdoing, will be promptly reported to the Chairman of the Audit Committee of the Board of Directors. Upon request through the hotline, the Chairman of the Audit Committee will contact you directly to discuss the concerns you may have.

## **Failure to Report**

Failure to submit information regarding suspected code violations is itself a violation of the Code as is the submission of facts which are known to be false. Submission of code violations may be in person or in writing to any of the above mentioned persons—preferably in writing—containing a description of the factual basis for the allegations (e.g., documents, events, meetings) and should be signed.

## **No Retaliation**

It is a serious code violation, and a violation of law, for any Company manager to initiate or encourage reprisal action against an employee or other person who in good faith reports known or suspected code violations. Retaliation will not be tolerated.

## **Officers and Managers**

All officers and managers are responsible for advocating full compliance by all personnel and reporting any actual or alleged material code violations and any potential wrongdoing or financial improprieties. Officers and managers are also responsible for reviewing this code with each of their employees and ensuring that it is countersigned annually and placed in the employee's personnel file. New employees shall read and sign the code upon employment.

**Request for Waivers and Changes in Code of Ethics**

Waivers to this Code of Ethics, if any, for directors or executive officers of Wintrust may only be granted by the Board of Directors of Wintrust, or an appropriate independent committee of the Board. Any waivers of Code provisions for directors and executive officers of Wintrust will be publicly disclosed on a timely basis, providing the reason for any such waiver. In addition, any changes to this Code of Ethics will be publicly disclosed on a timely basis.

**Penalties**

Violations of this Code of Ethics are a serious matter and will be the basis for disciplinary action, including reprimand, loss of compensation, seniority or promotional opportunities, demotions or dismissal. Suspected and reported violations will be investigated and any violation will be dealt with fairly.

**IX. EMPLOYEE STATEMENT**

I acknowledge having received a copy of the Company's Corporate Code of Ethics. I have read it completely and reviewed it with my immediate supervisor.

I understand how the code applies to me and agree to fully comply with each of its provisions.

I understand that the code is not intended to set forth either express or implied contractual obligations of the Company. The Company retains the right to change the provisions of this code at any time.

Employee Name: \_\_\_\_\_  
(Please Print)

Employee Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Supervisor's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**X. DIRECTOR ACKNOWLEDGMENT**

By signing below, I acknowledge to Wintrust Financial Corporation that I have received a copy of the Company's Corporate Code of Ethics.

I understand how the Code applies to me and agree to fully comply with each of its provisions.

Member of the Board of Directors of:  
\_\_\_\_\_

Director Name: \_\_\_\_\_  
(Please Print)

Director Signature: \_\_\_\_\_

Date: \_\_\_\_\_



Exhibit 21.1

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
Advantage National Bancorp, Inc.	Illinois
Advantage National Bank	National Banking Association
Village Bancorp, Inc.	Delaware
Village Bank & Trust of Arlington Heights	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 Capital Trust III	Delaware
Wintrust Statutory Trust IV	Connecticut
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 February 13, 2004, with respect to the consolidated financial statements of Wintrust Financial Corporation incorporated by reference in the Annual Report on Form 10-K for the year ended December 31, 2003:

- Registration Statement (Form S-8 No. 333-61678) pertaining to the Wintrust Financial Corporation Directors Deferred Fee and Stock Plan.
- Registration Statement (Form S-8 No. 333-33459) pertaining to the Wintrust Financial Corporation Employee Stock Purchase Plan.
- Registration Statement (Form S-8 No. 333-52650) pertaining to the Wintrust Financial Corporation 1997 Stock Incentive Plan.
- Registration Statement (Form S-8 No. 333-96983) pertaining to the Wintrust Financial Corporation 1997 Stock Incentive Plan.
- Registration Statement (Form S-8 No. 333-52652) pertaining to the Wintrust Financial Corporation Retirement Savings Plan.
- Registration Statement (Form S-3 No. 333-56566) pertaining to shares of Wintrust Financial Corporation issued in a private placement.
- 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.
- 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.
- Registration Statement (Form S-8 No. 333-111277) pertaining to shares of Wintrust Financial Corporation issued in connection with the Advantage National Bancorp, Inc. Amended 2002 Stock Incentive Plan.

/S/ ERNST & YOUNG, LLP

Chicago, Illinois  
March 12, 2004



**Exhibit 31.1**

**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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/ EDWARD J. WEHMER

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Name: Edward J. Wehmer  
Title: President and Chief Executive Officer



**Exhibit 31.2**

**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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2004

/s/ DAVID L. STOEHR

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



**Exhibit 32.1**

The following certification is provided by the undersigned Chief Executive Officer and Chief Financial Officer of Wintrust Financial Corporation on the basis of such officers' 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, 2003, as filed with the Securities and Exchange Commission on March 15, 2004, (the "Report"), the undersigned 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

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Name: Edward J. Wehmer  
Title: President and Chief Executive Officer  
Date: March 15, 2004

/s/ DAVID L. STOEHR

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Name: David L. Stoehr  
Title: Executive Vice President and Chief Financial Officer  
Date: March 15, 2004

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission upon request. This certification accompanies the Report and shall not be treated as having been filed as part of this Report.